

THE

SEP 16, 1931

BUSINESS WEEK

BUSINESS
INDICATOR



Slight but belated signs of the autumn acceleration of activity appeared in the pre-Labor Day week . . . Railroad movement of merchandise freight at last turned upward after a depressing period of persistent decline . . . Check payments gave some promise of responding to seasonal influences . . . Building contracts also improved from the disappointing early August level . . . Our index, after touching new lows in the middle of the month, rallied a little . . . Steel activity and power production alone reflect uncertainty about the extent of the usual fall flurry . . . Though the seasonal turning point has passed, business is still not sure where the street leads. Fundamentally reassuring are the relative stability of commodity prices in face of burdensome surpluses, and the progressive weakening of the successive waves of reaction to unfavorable news in the security market, as the forces of deflation wear themselves out . . . While the ultimate issues in the European situation are still in suspension the immediate emergencies seem to have been successfully handled . . . On the whole it is not unreasonable to assume that, until the cacaphony of the coming Congress fills the atmosphere early in December, the field will be clear for some seasonal increase of activity and convalescence of confidence this fall under the harvest moons of the next three months.

15 CENTS

MCGRAW-HILL PUBLISHING CO., INC.

UNIVERSITY OF MICHIGAN
GENERAL LIBRARY

Little Forms Run Errands

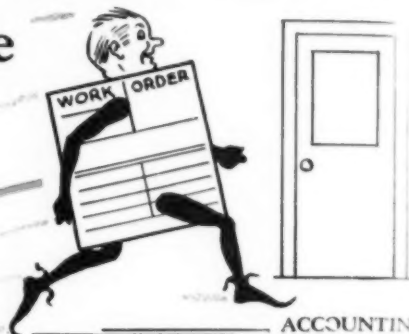
And Keep Departments Wise

High speed information—accuracy of inter-department records—that means McCaskey System of industrial control.

Each job going through the plant has a constant watchman. Every move labor makes is recorded—every dollar's worth of materials used is checked—process inventory of raw materials—goods in process—and finished parts kept up-to-the-minute—locations of jobs in process can be spotted instantly and your costs can be kept under constant supervision.

You would be surprised to learn how little it costs to provide yourself with up-to-the-minute information about your plant that is available to you with the McCaskey System.

Will you let us send you information about it? Just tell us the kind of information you would like to have about your business and we will gladly give you the names of one or more McCaskey users who have solved similar problems in their plants. Your inquiry will receive prompt attention.

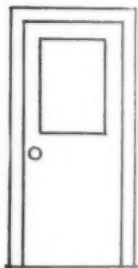


The original goes to the accounting department, the second slip to the storeroom—or planning board, and the third slip to the department head, or to any department which should have information.

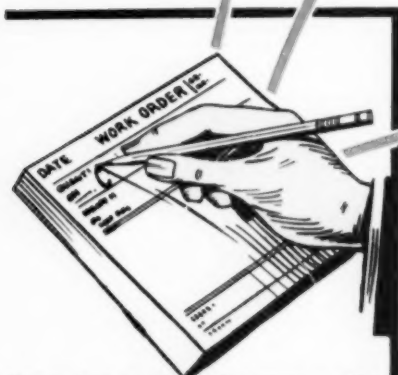
ACCOUNTING DEPARTMENT



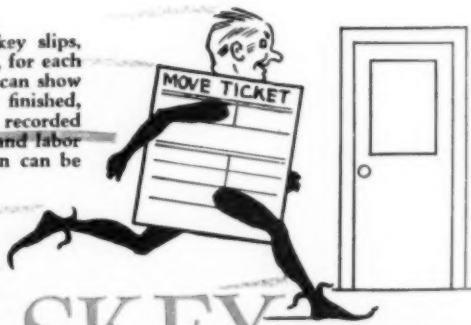
The planning board in the factory cost department can show at a glance the status of any job covering any number of machines and any number of workers.



STORE ROOM



Carbon-backed McCaskey slips, made with one writing, for each operation of each job, can show the time started and finished, also elapsed time—as recorded by time clock. Time and labor costs on each operation can be shown on these slips.



DEPARTMENT HEAD

THE McCASKEY

REGISTER COMPANY
Industrial Division 9091
Alliance, Ohio

Galt, Canada

Watford, England

McCaskey forms are supplied in duplicate, triplicate and quadruplicate. One form for each of the departments which should have a record of the job.



What's In This Issue

—And Why

Banking

LIKE every other business, banking has had to adjust itself to the new low levels. Faced with declining deposits and values, bankers have had to be realists; the caution which cramps activity is the insurance of safety. (page 5)

Taxes

POLITICS may hush up any talk of increased federal taxes, but the simplest mathematics indicates the inevitable. With decreased income and increased outgo something must be done. (page 6)

England

THE Coalition government's economy program, outlined by Snowden, attempts to balance Britain's budget by strict government economies, increased taxes, a 10% cut in the dole. (page 7)

Prohibition

ARGUMENTS for repeal are entering the economic phase; *The Business Week* examines the subject in its relation to business, comes to some inevitable conclusions. (page 8)

Refrigerators

MAKERS of electrical refrigerators have been doing very, very well. Questions: Why the price cuts, just announced? Will they endanger the notably successful merchandising cooperation? (page 10)

Selling by Wire

IN the case of the telegraph companies, necessity was the mother of merchandising; lost revenues prompted the expansion of service facilities to the point where hats and chaperons—as well as flowers—may be had by wire. (page 16)

Quick-Freezing

EVIDENTLY the big packers consider frosted foods now well established; Swift, biggest of all, enters the market with a big line of pack-

aged "hard-chilled" meats for family and restaurant trade. (page 11)

Automobiles

FORD is in no hurry to bring out the new model, with things as they are; anyhow, 50,000 more of the present jobs will roll out of his waterside assembly plants. (page 12)

Railroads

ABOUT 10 years ago, the Florida East Coast Railway guessed wrong, prepared for a future that never showed up; last week, the road toppled over into the hands of receivers. (page 13)

BETTER roads, faster cars, air-lines, have taught the public to expect faster trains; railroads are discovering that speeding up service punches more tickets. (page 15)

Shipping

NEW ORLEANS, long weary of watching commerce that is all import and no export, once again aims to make service with South America a two-way affair, starts a direct steamship line to the East Coast. (page 16)

Real Estate

MOST recent of the plans to save real estate from the slough of depreciation aims for emergency relief of the market and mortgage-credit-granting institutions; more than temporary measures are needed. (page 24)

Jewelry

HARD times are profit times for the sellers of precious hardware; they make their long-run profits by buying now and holding for the next boom. (page 30)

Anschluss

PERHAPS the advertised abandonment of the Austro-German economic union is not so very final, after all. (page 31)

Needed Meter

OHMER has developed a gasoline meter which functions with the pump; it measures the gas, computes the total, rings up the sale, and hands out a receipt. (page 30)

"I am intended for fastidious women"

says this LUX package

Yet it is produced at
extremely high speed
(150 per min.)



One of a battery of our machines that wrap Lux Toilet Soap. The machine wraps the soap in an inner wrapper of glassine; folds a piece of cardboard around the cake, and seals the whole in a printed wrapper - 150 cakes per minute.

A PACKAGE of Lux toilet soap literally says "I am intended for fastidious women." The design of the wrapper follows the motive of her tiled bathroom, and the wrapping is so smooth and neat, one cannot help but feel that here indeed is perfection expressed in soap.

To examine this fine package you would hardly believe that it could be produced at the rate of 150 cakes per minute. Yet that is the speed at which our soap wrapping machine works.

The machine wraps an inner glassine wrapper around the soap, folds a piece of cardboard around the cake, and encloses the whole in a printed wrapper, folding and gumming the flaps. All of these operations are performed with such lightning like rapidity that the eye is absolutely incapable of following them, although the mechanism is in full view.

High speed is an important factor in keeping production costs at a minimum. And, of course, a fine looking package is a great sales help.

"Packages that sell, produced at low cost." This is what every package goods manufacturer wants, and it is our business to give it to him—whether he makes soap, food stuffs, cigarettes, candy or any other product that can be sold in a package.

PACKAGE MACHINERY COMPANY
SPRINGFIELD, MASSACHUSETTS

New York Chicago Los Angeles
London: Baker Perkins, Ltd.



PACKAGE MACHINERY COMPANY
Over 150 Million Packages per day are wrapped on our Machines

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending September 12, 1931

Banking Situation Improves By Dint of Long, Hard Work

**Banks' struggle to thaw liquid assets out of
a frozen world is making progress**

THE banks are fighting a host of problems; are making encouraging progress. The depression isn't over and neither are their troubles. But their situation never was as bad as extreme pessimists believed. There are serious problems to be solved, but they are being solved. The banks are readjusting to a depression level, just as are all other business concerns.

There is truth in the criticism that the banks are not doing much to stimulate business at this time. They cannot, due to their own troubles. But it is equally true that as rapidly as they can, they are getting into a condition where they will be able to promote recovery.

Large city banks are generally in the best position. Most of them shrewdly saw the present situation coming and "forewarned is forearmed" with them. Too, the burden on them is heavier and they must always be prepared. Nearly all of them are large-scale bankers' banks, acting as city correspondents for country banks which they have been called upon to help.

Small Banks Handicapped

Banks in smaller cities and towns generally have not had the opportunity to strengthen themselves so much. Their business is of a more personal nature; getting into liquid condition is more difficult. Their inadequate capitalization and inability to diversify their resources make a powerful argument for branch banking. In consequence the majority of bank failures have occurred in this class of institutions. Small bank failures are serious, but their effects are usually localized.

Banking has much reserve power. Borrowings are very low, borrowing power high. Considerable cash is in hoarding, which will emerge when confidence returns, and will tremendously strengthen the banking po-

sition. Banks also have large idle excess reserves which can be drawn upon in time of need.

Banking troubles are twofold, one on each side of the balance sheet. Assets are weakened by general price and earnings declines. Hardest hit are railroad bonds and real estate mortgage loans. Widespread commercial failures have left in bank portfolios notes of questionable value. Heavy declines in security and commodity prices and earnings have left notes with insufficient collateral. The drop in the price of foreign securities, deposits frozen in other banks by failures, and signs of weakening of municipal bond prices due to tax defaults are other troubles among the assets of the banks.

Drain on Funds

Simultaneously, banks are being drained of their funds. Depositors are frightened by hearing of banking difficulties, by bank failures, and by multitudinous rumors. Deposits have been withdrawn and hoarded in almost unparalleled amounts in some sections of the country, \$600 millions in the last year. Foreign depositors have needed their own funds, have withdrawn hundreds of millions of dollars. All this has occurred just at the time when assets are most difficult to convert to cash to meet this demand.

The best banks have rapidly done the obvious thing of seeking liquidity, many in advance of the need. They have pressed for repayment of loans, have sold weaker bonds as rapidly as possible in a thin market, and have declined to make any but the most liquid new loans. Business dullness has made good commercial paper scarce, and they have put funds into U. S. government and a few other highest grade bonds, and into other banks. In these two categories lie a large portion of bank

assets, ready for use, as a safeguard to depositors.

Cash and government bonds give a very low income, lowered still more by losses. So bank earnings have declined rapidly. Consequently bank stock prices have dropped throughout the country. This entirely natural occurrence has disturbed many depositors and stockholders, further disturbing confidence. Yet it is really a sign that the banks are meeting their problems.

Costs Deeply Cut

Lower earnings necessitate every possible step to cut costs, and banks, like other business, are cutting deeply. The chief cost is interest payments, and depositors are receiving less and less. State and local government deposits are an especially serious problem, being in a preferred position and being so large, but some bankers already are coping with this situation. Employees in banks are suffering as in other businesses.

These very natural banking developments handicap business by making all but the highest class financing difficult, by decreasing the income from bank balances, by weakening the securities markets. Yet many banks would be in a much weaker position were they not taking these measures. That weakness would depress business much more seriously than does the present policy.

New York Banks' Demand Helps Acceptance Market

BANKERS' acceptances have compensated for much of the large decrease in business' direct borrowing from New York City banks during the depression. This shift has had a decided effect upon the liquidity of these banks, upon the acceptance market and upon businesses which finance themselves in the acceptance market.

Commercial loans of New York City Banks reported by the Federal Reserve show a decline of 5% this year, 14% from the first of 1930. The American Acceptance Council, however, points out that acceptance holdings are included in these figures and that, with these deducted, commercial loans have dropped 12% this year and 28% since the beginning of 1930. These percent-

ages are a more accurate measurement of the decline in commercial borrowing.

A tremendous rise in bank holdings of acceptances is thus shown. Since acceptances constitute generally the most liquid commercial open market paper—except such foreign ones as have been frozen—the change makes the banks much more liquid. This de-

mand for acceptances by these banks has been an important factor in the very low rates at which business can be financed in this way. Rates now stand at 1@ $\frac{1}{4}$ for short maturities. Of a total of \$668 millions of acceptances held by banks throughout the country, \$513 millions are held today in New York City.

Higher Taxes, Perhaps New Ones, Now Seem to Be Inevitable

Politicians may balk but a delay would put a heavy burden on the capital market

EVENTS are pointing with increasing clarity toward an increase in existing federal taxes or the imposition of new ones. Only politics can prevent such action by this year's Congress. A delay means placing an enormous burden on the capital markets and on the banks.

Treasury receipts in the first 2 months of this fiscal year were off 3%, expenses up 28% from a year ago. This resulted in a deficit above \$400 millions, 60% larger than a year ago. Operations on the present basis will result in a deficit for the year ending next June 30, estimated at from \$1.2 billions to \$1.5 billions, following on the last fiscal year's \$903-million shortage.

Many Demands

These figures do not take into account new threats against the Treasury. A demand for further bonus loans to veterans is already in the making. The inevitable question of permanent relief to foreign nations must be met before the moratorium ends next June 30—and relief by lowering or cancelling war debts or lowering tariffs means lower Treasury receipts. Each additional week of agricultural depression improves the prospects for an equalization fee, necessitating subsequent huge federal outlays. Extensive unemployment relief is called for. These are the major threats.

Politically, new or high taxes are always undesirable, especially preceding an election. Politicians of both parties are diligently seeking a way out. The old device of stopping sinking fund payments is discussed. But if this were done alone, a billion or more of borrowing would be necessary, even if all the new threats were parried.

Another billion of borrowing would seriously disturb the capital markets, appreciably larger amounts would disrupt them. Each new government issue

absorbs funds which might otherwise go to business, provides new investments for liquidity-mad banks, tends to lower the price of issues already held, and reduces potential federal, state, and local tax receipts by creating more tax-exempt securities. It would give the banks more eligible securities and thus help some of them, as did last year's borrowing. But it would continue the same kind of budgeting that has led Germany and England to acute financial troubles.

The chances of new and high taxes in the face of this situation are increasing. The Administration has finally admitted the facts of the situation. The Treasury is secretly working out a plan. Congressmen are tending to fall into line. If higher taxes are imposed they appear likely to hit higher incomes, possibly estates. The most probable new tax is one on sales.

Financial authorities at Washington and elsewhere admit the need of a thoroughgoing reorganization of the federal tax structure. Reliance on widely fluctuating income taxes has proved unsound. Serious criticisms are directed against the capital gains tax. But an extensive structural revision of taxes is unlikely this winter, though almost certain to come later.

Government Economical

Washington again is engaged in ostentatious moves toward economy—which can make good publicity but little significant headway. A 30% cut in government expenses would be necessary to balance the prospective deficit. The political chances of even a minute part of this cut's being made are nil.

The American Legion convention to open at Detroit Sept. 21 is being watched with interest. The Veterans of Foreign Wars are already on record



ARTHUR HENDERSON — England's former foreign minister is Ramsay MacDonald's chief opponent now. Labor would like to see him appointed Prime Minister

for further bonus loans. President Hoover has data to show that only 32% of the bonus loans thus far made went to needy or unemployed veterans—an argument not so convincing to veterans as the sight of ready money.

Meanwhile, the Treasury is already up to its neck in financial troubles. The \$1.1 billions borrowing of this week still leaves a short-term debt of about \$2.5 billions, so large that it is unmanageable and may prove costly.

Mr. Mellon has \$100 millions of bills maturing yet this month, \$103 millions in October, and \$320 millions in No-

vember. In December he must meet about \$1 billion of maturing notes and certificates in addition to bills which are yet to be issued and will probably be made to mature at about that time.

Another huge bond issue seems likely. And next year will show enormous maturities. All of which refinancing is in addition to borrowing to cover the large prospective deficit.

British Business Prepares To Swallow Bitter Economy Dose

Efficacy of drastic budget remedy may depend on whether emergency government stays to apply it

LONDON (Cable)—With grim resignation, British business is tightening its belt, settling down to the task of adjustment to the new economy program. That the present slump will for a time be augmented, no one doubts. That the drastic new economies, almost sure to be adopted, will work the country out of its present fiscal and financial morass, everyone hopes.

At the present rate, Britain's estimated national deficit this year would reach \$360 millions, next year \$825 millions.

Two Categories

Salient features of the momentous coalition-framed, Snowden-delivered proposals to Parliament to meet the present deficit, avoid another next year, are summarized in 2 categories: (1) economies; (2) fresh taxes.

Economies for this year are expected to effect savings totaling \$160 millions.

These are to be made by a 10% cut in the dole and absolute termination of borrowing to meet dole payments; by reducing the sinking fund from \$243 millions to about \$150 millions during this year and next; by "government economies" including drastic salary reductions for government employees; and, if possible, by converting the 5% war loan, contemplated nearly a year.

Fresh taxes, as outlined in the new program, are expected to produce nearly \$200 millions in revenue this year, more than \$400 millions next; can be summarized in 3 groups:

Income Taxes: To be increased 6 pence on the pound on incomes in lower categories, and graduated upwards. The surtax is to be increased 10%.

Internal Revenue Taxes: Beer will be taxed 1 penny more a pint. The gasoline tax will be increased 2 pence a gallon. Entertainment taxes will be

increased 2 pence per shilling, or 16 2/3%, effective Nov. 9.

Customs Revenue Taxes: Tobacco duties will be increased 8 pence a pound, the increase to be retroactive to Sept. 11.

Passed in second reading Friday, and likely to be enacted early in the week of Sept. 14 is Britain's economy bill which provides authority to put the new measures into immediate effect by orders in council without the necessity of formal legislative bills. Action on the Snowden proposals, therefore, is likely to be prompt. Labor opposition is strong but the coalition government already has received 2 encouraging majority votes from Parliament.

Effect Still Uncertain

It is too early to know what will be the definite effect of the program if enacted. Business outside Britain will receive most favorably the dole cut of 10%, and the decision of the government to make no further loans to the fund. On July 25, latest report, the debt of the Unemployment Fund to the British treasury totaled \$460 millions, was increasing at the rate of \$5 millions a week.

At the same time, the decision to increase the weekly contribution of all contributors to the fund transfers a part of this government-abandoned support to the employed and to employers.

Internally, beyond the expected consternation which the dole-cut brings, business is most perturbed over the increase in the income tax. Britishers already pay out nearly one-third of their



THE BIG TEN—The first official picture of the British National Cabinet. Left to right, seated, Philip Snowden, Chancellor of the Exchequer; Stanley Baldwin, Lord President of the Council; Ramsay MacDonald, Premier; Sir Herbert Samuel, Home Secretary; Lord Sankey, Lord Chancellor; standing, Sir P. Cunliffe Lister, President of the Board of Trade; J. H. Thomas, Secretary for the Dominions; Lord Reading, Foreign Secretary; Neville Chamberlain, Minister of Health; Sir Samuel Hoare, Secretary for India

income in local and national taxes. Payment of an additional 6 pence on the pound, and reduction in personal allowances is a bitter morsel to swallow.

While industry is relieved from at least a part of this increase through enlarged allowances for depreciation, it is likely to suffer in the long run as capital flees the country to escape the burden. Business is especially concerned over the 10% surtax, offered as a sop to disgruntled Labor.

Allusion to a conversion of the 5% war loan is vague. With bond markets weak, with the Bank of England rate at 4½%, it is difficult to imagine that Britain could sell \$2 billion of bonds on world markets at a much lower rate than 5%.

Depression Gives New Edge To Prohibition Repeal Argument

But in its big days, liquor paid 5% of our taxes, used 9% of rye crop, employed 90,000

THE well-abraded subject of prohibition is being sharpened to an even finer edge upon the hard stones of the depression. Business men are taking a more active part than ever in agitation, pro and con.

The Wets are using the slump as a powerful argument. They claim a return to wine and beer would go far toward curing present business ills; that federal and state taxes collected on the revived industry would relieve present business burdens; that the rebuilding of plants would stimulate demand for labor and machinery; that breweries, etc., would furnish people jobs; that demand for farm products would be stimulated.

Estimate and Guesstimate

Here are economic matters into which *The Business Week* has a right to enquire. Progress is difficult because of the widely separated destinations to which we are conducted by statisticians. Where an authoritative springboard is lacking, they indulge in daring leaps into the dark. (Viz: The "guesstimate" that the cost of crime, blamed largely on prohibition, has risen to \$10 billions annually. And opposing: That the increased productiveness of workers, due largely to prohibition, is worth from \$3 to \$10 billions annually—compromise figure, \$6 billions.)

Because of emotions that creep into

Whatever the immediate difficulties connected with the economy proposals, essentially they should better Britain's position if the present emergency government can stand long enough to put them into effect. But opposition will be bitter. Already Arthur Henderson, leader of the Labor party, has declared his party will back a 20% revenue tariff, will combat to the end the cut in the dole (though it is only half the cut recommended in July by the government's economy committee).

The British crises, both political and financial, are not over, have really just begun. The immediate future will determine whether or not the country can "come back" without resorting to a dictatorship.

tive side ever toward the audience.)

We are here concerned with the three phases which directly affect the depression: (1) Would repeal reduce taxation? (2) Would repeal aid employment? (3) Would repeal create a better market for farm products?

Pre-Volstead Statistics

In 1919—the last wet year—government taxes on distilled spirits, wines, and fermented liquors were \$485 millions. States and cities over 30,000 collected from liquor excises and licenses in 1919, \$46,500,000. Without adding amounts collected by smaller cities and counties, or income from importations, total collected in 1919 was \$529,500,000.

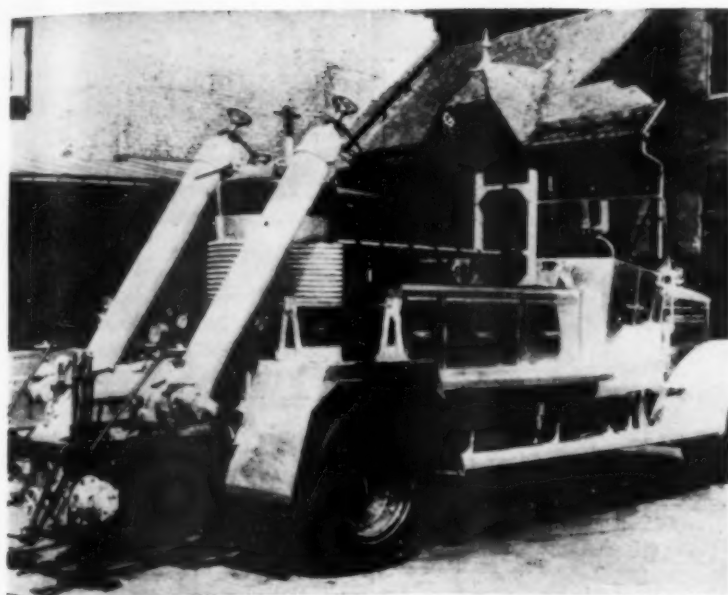
Score one for the Wets. The Dry answer is that you must place against this figure the conjectural \$6 billions of new wealth productivity annually added by prohibition. And also that you must keep things in scale—a half billion dollars is, after all, only 5% of the total taxes collected annually.

To the loss of revenue has to be added the cost of enforcement. Appropriation to the Prohibition Unit in 1929 was \$12,279,140, that of the Coast Guard \$15,110,530. Without adding anything for increased expenses of the Department of Justice and the Customs Service (estimated at \$18 millions by the Association against the Prohibition Amendment) the total is over \$17 millions. From this must be taken about \$5 millions in fines collected.

estimates of the Dry and Wet organizations, we shall in the following confine ourselves when possible to government figures. (Even then, it must be remembered that the government is committed to the Drys and knows how to present a statistic with its most attrac-



ILLCIT—A federal agent takes inventory of the corn sugar in a raided distillery. This one is reputedly the largest found in Chicago



WATERLESS FIRE ENGINE—The Germans developed this engine for fighting fires in silk warehouses, clothing factories, wherever liquids would damage materials. It blows a dry powder through the hose by carbon dioxide

International News

leaving a net cost of \$12 millions the taxpayer must meet. Combining this with the loss in revenue (\$529,500,000 in 1919) there is a traceable annual cost of \$541,500,000.

By estimating where figures are lacking, the Association against Prohibition Amendment puts the burden at more than \$900 millions a year.

Replying, Commissioner of Prohibition

tribution of strong drink. The Wets only emphasize that they would legalize and respectabilize what is now an outlaw industry that breeds and finances criminals.

Employment Figures

Manufacture of alcoholic drinks never employed much labor. In 1914, last normal wet year, the Census Bureau's employment figures were:

	Distilled	Vinous	Malt and	
	Liquors	Liquors	Liquors	Total
Salaried persons and proprietors...	2,027	896	13,893	16,816
Wage earners	6,295	2,292	64,059	72,646
Grand total				89,462

tion Doran showed that in the first 9 years enforcement agencies cost \$141 millions; that collections for fines, penalties, taxes on distilled spirits and fermented liquors were \$460,500,000; that, allowing the \$72 millions which the Wets claim should be charged against the increased duties of the Department of Justice, there still remained for the 9 years a favorable balance of over \$247 millions. (This figure, of course, makes no allowance for \$4½ billions tax, revenues lost during the period.)

Conservative Wets admit that reopening breweries, wineries, distilleries would make but a tiny dent in the huge total of unemployment, perhaps none at all when one considers the number now illegally engaged in the making and dis-

Against this must be placed after-prohibition figures. The distilling business (legal) has shrunk to proportions too small to be noticed by the Census Bureau. There is a pale shadow of a hangover in wine-making and the brewing of near beers. Total employment in 1929, 7,542 persons.

An absolutely accurate comparison would have to include the increase in employment by soft drink plants due to prohibition—but that is not to be had. (Total in this class, not including malt and cereal beverages, was 33,318 persons in 1929.) Similarly any figures relating to the loss in the manufacture of bottles, barrels, etc., would be pure guessing.

John C. Gebhart, research director of the Association against the Prohibition

Amendment, makes an estimate of the capital outpouring necessary to bring breweries, wineries, and distilleries up-to-date.

His figures are: Capital that would be needed to rehabilitate brewing and malting plants, \$200 millions; wineries, \$51 millions; distilleries, \$90 millions. Total estimate, \$341 millions that would go into new equipment and labor if prohibition were repealed. His conclusion is that the operation of such facilities "would create no new market for labor, nor would it add to the total wage fund of the nation." (He guesses that thousands are now employed in the liquor traffic. It may have been forgotten by most readers that the U. S. government itself estimated a year ago that manufacture of alcoholic beverages was at least one-third as great as ever.)

Not Much Farm Relief

How much of a demand for farm products would repeal create?

Not a great deal, compared to our huge crops and huge surpluses. The illicit still is taking quantities of corn, corn sugar, corn meal mash, molasses, beet and cane sugar. Wet Statistician Gebhart, indeed, figures that no new demand for corn or grapes would be developed if the nation officially went off the wagon. Chief gain to the farmer, he says, would be a new market for 21,660,000 bu. of barley and 3,500,000 bu. of rye—respectively 7% and 9% of the 1929 crop.

But an unbiased investigator probably would conclude that a return to distilling might merely shift demand from one farm product to another—that the bushels of barley and rye that would go into the vats would mean just so much loss to the corn growers who supply today's furtive stills.

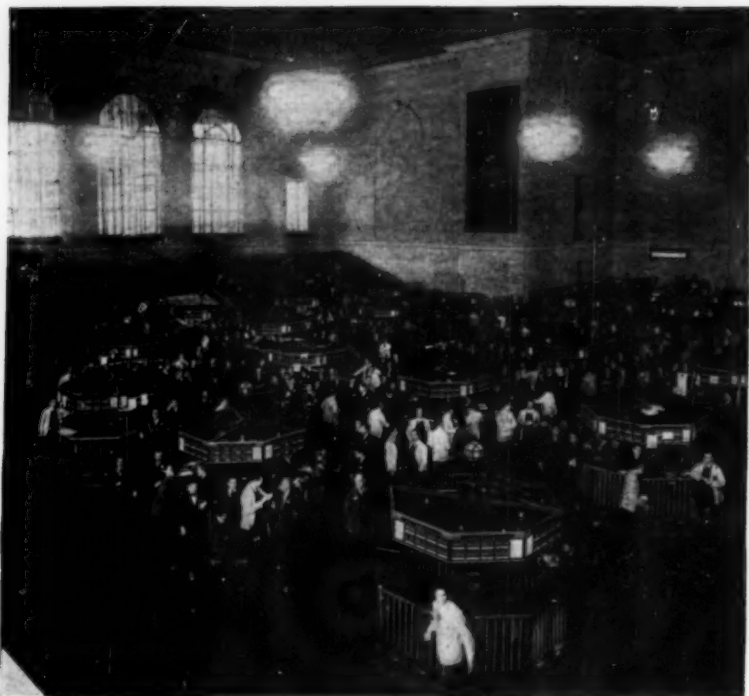
Over and above all these imaginings is the question of whether there is a possibility of repeal.

At present the Wets haven't a Chinaman's chance. The nation is controlled politically by the Drys; the control is cinched by the adherence to prohibition of the South and Middle West; few politicians are brave enough to butt their foreheads against that sentiment.

Just Half Enough

The Wets have made gains. Their wildest claim is 18 states—just half the number necessary for repeal. Good legal opinion seems to agree that nothing short of repeal will hold; that the Supreme Court will treat with contempt any subterfuge, such as "legalizing" 4% beer.

The business man need hope for no tax relief from this quarter.



Wide World

THE CURB—New York's new Curb Exchange building is a far cry from the Broad Street sidewalks where it had its beginnings not so many years ago. It opened officially this week

Electric Refrigerator Cut Comes as a Surprise Move

War talk meets assertion that it's an effort to hold 1931 momentum against a seasonal drop

ANNOUNCEMENTS of price reductions by leading manufacturers of electrical refrigerators have caused considerable surprise, some consternation. Questions have followed: Are the giant interests involved maneuvering for a price war? Is the cooperative sales drive for mechanical refrigeration endangered?

Up to now this industry has furnished an outstanding example of what can be accomplished, even under unfavorable economic conditions, by well-organized, highly concentrated sales activity. Its 3-year cooperative campaign (BW—Mar 11 '31) and the individual efforts of manufacturers, central stations, distributors and dealers have brought phenomenal 1931 sales to large and small makers alike (BW—Aug 5 '31). Reports from practically every company have indicated that prices were sufficiently low to satisfy the highly critical buyers' market in which they are doing business. These are conditions

that generally result in firmer prices rather than reductions.

Frigidaire Corp. (subsidiary of General Motors), first to announce a general price cut, has made heavy 1931 gains. President E. G. Biechler states that "June, 1931, went 27% ahead of June, 1930, figures, July topped the June increase, August ran similarly higher and September production schedules are set 30% above the 1930 level."

But Frigidaire has cut prices an average of 5% on models retailing under \$250, 10% on those above that figure. A special 4-month selling drive has been launched through 44 regional sales meetings.

To the inevitable questions, those in intimate contact with the situation answer that this move—significantly at a time when a seasonal drop in sales would normally be expected—is a definite attempt to maintain present momentum and supplement the gains of

1931's first 8 months with continued large volume. It may also represent an effort to hold Frigidaire's heavy share of the industry's gain against increasingly strong competition.

Westinghouse Electric & Mfg. Co., with C. E. Allen, vice-president, reporting 8-months 1931 sales over 400% ahead of the 1930 figure and orders indicating that gains will be maintained through the fall, has also cut, not on the standard line but on 10 de luxe models, on which prices have been reduced by from \$15 to \$105.

Kelvinator Corp., with 1931 sales far ahead of those of 1930, has lowered prices on models by from \$5 to \$50.

Others Stand Firm

General Electric Co., which has built tremendous refrigerator sales volume since it entered the field in 1927 and has challenged Frigidaire leadership since early 1930, plans no cuts according to P. B. Zimmerman, in charge of the Refrigeration Department. Mr. Zimmerman adds that its 1931 sales totals are expected to be nearly as good as those of its record year, although prices were lowered early in 1931. Prices on General Electric units have always ranged somewhat higher than those on comparable units of its most active competitors and the latter's reductions widen the gap.

Others stand on present prices. W. D. Elhinny states for Copeland Sales Co. that, with sales volume highest in the history of the company, and well ahead of 1930, no changes are being considered. The Norge Corp., division of Borg-Warner, points to a 512% increase in sales for the first 9 months of 1931 and apparently plans no price reductions under these conditions. Officials of Servel Sales, Inc. are reported as stating that no changes in present schedules are contemplated. Servel's 9-months sales total is expected to run 200% ahead of the 1930 record.

Wholesale Buying Shows High Hopes in Chicago

RETAILERS located in the Chicago area appear convinced that consumer buying for fall, winter, and holiday consumption will be quite satisfactory, may in some cases greatly exceed expectations. This confidence is reflected in the volume of their wholesale purchases.

The Chicago wholesale market opening of early August was not followed by the usual dull period. Buying is somewhat ahead of seasonal trend.

Marshall Field reports "gift goods

sales very good, sales by men on the road at times exceeded 1930 figures in dollar volume; although prices were 15% to 20% lower, individual orders are larger.

It finds an increased demand for silk and woolen yard goods, blankets, sheets, pillow cases, etc. New styles are aiding sales of millinery. Dress goods and ready-to-wear are selling well.

The Davis Co., Field-controlled popular-priced department store, has requested buyers to balance stocks and prevent any loss of sales from shortages.

The Fair, prominent Chicago department store, has cut expenses wherever possible, reports that it is making more money than a year ago.

Cleveland Sends 1 in 4 To Van's New Store

ONE person in every four in Cleveland was "clocked" through the doors of the Van Sweringens' new department store building on its opening day Sept. 8.

Eighteen months ago the Van Sweringens acquired control of the Higbee Co., 71-year-old department store on historic Euclid Ave. Shortly afterward their Van Sweringen Corp. began to build a \$10-million limestone building of 12 stories on "air-right" real estate at the foot of the avenue on the Public Square.

This store building, now opened, has a personnel of 3,700, more than double the number employed at the old location. Its million square feet of floor space includes a cash basement, an innovation in the Cleveland region. Initial stock of merchandise is announced to be worth \$5 millions. The building is designed for a turnover of \$50 millions ultimately.

Van Sweringens' Higbee is the first large completely new department store construction since Saks Fifth Avenue. All the physical interconnections the Cleveland location makes possible have been utilized—arcades to the station, to the adjacent bank and office buildings, fourteen restaurants and the Van Sweringen hotel, passageways beneath "air-right" streets to other buildings, and a 1,500-car garage.

Opposite Higbee's stands the May Co.'s Cleveland unit, which has lately added 2 floors to its already largest store in Ohio, rebuilt elevators, changed fixtures and windows. All the downtown stores have been taking larger newspaper display space for the \$90 millions of department store business. Four stores have gone on the air.

Big Packers See a Market, Feature Quick-Frozen Foods

Swift, biggest of them all, has 160 varieties of packaged meat for consumers and restaurants

WITH public acceptance of quick-frozen foods assured—largely through the efforts of General Foods and other missionaries of packaged foods—the larger meat packers are preparing to enter the new market.

Swift & Co., largest of all, announces a line of quick-frozen meats with 160 different items, many obtainable in 3 different grades. First grade carries the Premium label, includes only the very choicest cuts, brings the highest price. Cuts from the same quality meat, but less fancy are packed under the "Arrow S" label. Where the character of the product makes it feasible, third grade cuts are packed with Clover label.

Contrary to usual practice, Swift features not the package but the meat itself, believes that the product should look the same frozen as freshly cut.

Therefore few cartons are used. The entire cut of meat is simply wrapped tightly and securely in cellophane, then

a special cotton-mesh "stockinette" protector is drawn tightly over the cellophane-wrapped cut.

Sizes and weights of cuts are adjusted to simplify retail selling, while quantities in wholesale cartons are determined on the basis of popularity and possible market of each item.

Keen knowledge of market requirements has prompted Swift's to capitalize certain advantages of quick-freezing in the development of novelties: Quick-frozen diced pork tenderloin patties, ready for the pan, in ¼- and ½-lb. packages; "bricks" of quick-frozen stewing lamb, soup meat, calves liver, "hamburger" or chopped beef.

Then there is that trend toward short-order eating, which has made drug-stores, wayside stations, restaurants in chain, variety, and food stores, lunch wagons, important purchasers of small steaks, chops, and "hamburger."

These eating places sell on such close



BACK-SAVER—The new aluminum milk cans are 30% lighter, which means there is 8 lbs. less to lift from truck to train. It is welded of sheet and castings; no lining is used, eliminating retinning

margin that they must know cost-per-portion in advance to make sure of a profit.

To them Swift offers quick-frozen sandwich steaks in 12- to 15-lb. cartons, each containing steaks of known thickness, 6 to 8, or 8 to 12, or 10 to 14 steaks to the pound.

Even Hamburgers

The all-night lunch wagon can buy cartons of 12 packages, 1 lb. each, of quick-frozen Hamburger, already sliced into sandwich patties, average weight 2 oz., ready for the pan. The concessionaire, anxious for a quick profit on a transient trade, can buy hamburger sliced into 1-oz. patties, of a lesser grade, already discreetly peppered.

Swift realizes that consumer buying of quick-frozen meats will grow slowly; in the meantime, builds strictly commercial markets with a well rounded-out line for hotels.

The roast of beef, that ancient standby of hotel chefs and guests, backbone of aristocratic *carte du jour* and plebeian bill of fare alike, has been standardized. Cuts of 6-rib size come 2 to the carton weighing 12 to 30 lbs., but chuck ends and short ribs have been removed so that, even at a somewhat higher price per pound, the chef has little trouble in carving a profit out of his purchase.

Substantially Swift & Co. is in position to go after large-scale distribution whenever it chooses. Building a market is greatly simplified with an already well-known brand. In recent experiments in marketing, definite identification by brand, made possible with quick-frozen meats, has been stressed.

The process used by Swift in quick-freezing is reported unlike any other and was developed in its own Chicago laboratory.

Armour Takes Middle Course

Armour & Co. is also cutting a slice of the quick-frozen meat market, but from a different angle. It has a line of quick-frozen pork, kidneys, oxtails, other meat products, that are not packaged but sold in bulk for re-sale by meat retailers. Items of steady consumption—pork chops, tenderloins, sausage, etc.—are frozen and offered to dealers in cartons of 25, 50 and 100 lbs. each, much as chilled products have been marketed for years.

Bulk marketing of its quick-frozen products evidently was adopted by Armour as a middle course to secure the whole-hearted cooperation of meat retailers and butchers. Regularly established meat markets are generally opposed to selling meat in packages as it eliminates the need for expert meat cut-

ters, often brings grocery stores and other retailers in direct competition with them. Therefore, Armour is not likely to undertake the marketing of packaged quick-frozen meats until public acceptance is assured.

Cudahy Packing Co., after some experimenting with frozen meats, is reported not interested in further expansion in that direction but may be expected to re-enter the field if conditions are found to be favorable.

Meanwhile, independent grocers and meat dealers as well as chain store officials are making substantial investments in low-temperature cabinets for display and storage of quick-frozen products, thus providing increasing distribution.

Goodyear Plans Airplane Tires for Cars, Trucks

GOODYEAR TIRE & RUBBER CO., largest manufacturer of automobile tires and other rubber products, is preparing to capitalize in the automotive field its extensive experience in the manufacture of airplane tires.

Airwheel tires, long used on airplanes to insure safe and comfortable landing, are now being made for tractors, trucks, and pleasure cars. With substantially smaller-size wheels, greatly increased air volume is made possible, while the operating air pressure is cut in half.

Advantages claimed for the new type

tires include greatly improved resiliency, increase in traction through doubled area of road contact, and with the latter more effective resistance to skidding. Objections center around the danger of a puncture or a blowout at high speed, because of the excessive difference between the inflated "airplane" tire and the solid hub portion of a wheel. For this reason doubt has been expressed that the new tire will become popular on high-speed cars or trucks. It is also pointed out that motor car manufacturers, after following the popular trend toward extremely large size, thin-wall, low-pressure balloon tires in 1926 and '27, have gone to the modified balloon.

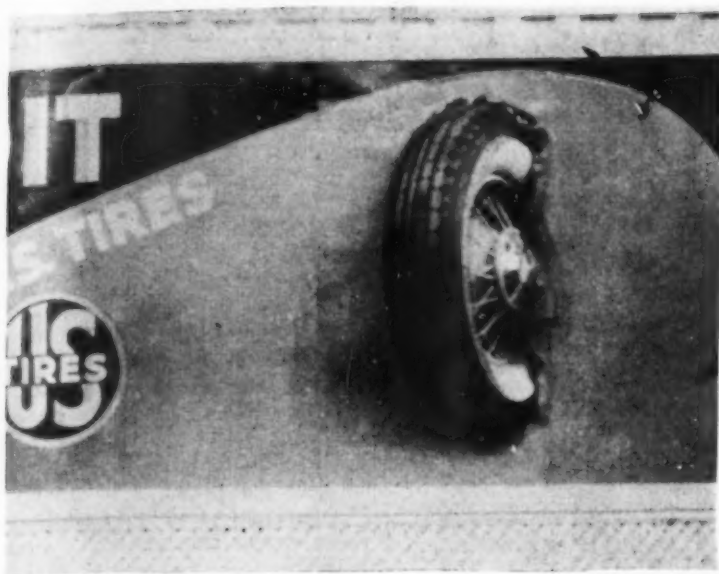
Airwheel tires have been found especially practical on tractors, are now manufactured in several sizes exclusively for tractor use; have given excellent results on trucks; are expected to become popular on pleasure cars.

Long Try-Out

Goodyear, in developing airwheel tires for automotive use, is following the same policy pursued when cord tires were being perfected and subsequently when it pioneered pneumatic tires for motor trucks; has equipped some of its own trucks with the new type. They have given satisfactory service for 25,000 to 40,000 miles. However, it was found necessary to balance brakes and install hydraulically operated gear to facilitate steering.



RADIO ABROAD—Germany's Radio Show is opened by the mayor of Berlin. New models in radio and home talkies were exhibited



TIRE MOVIE—In this new "action" poster, used by U. S. Tires in Detroit, the giant 8-foot wheel projects through the sign, revolves day and night

The Business Week

Motor Makers to Join Ford In Trenches About Christmas

The new low-price models will come out in December; fourth-quarter prospects are more promising

THE Ford Motor Co. will make at least 50,000 more of its present line of model A cars before it changes over to production of the revamped models. Releases of orders for parts and materials for the new car have been held up so that manufacture of the car on which Mr. Ford will pin his 1932 hopes will not begin until sometime in October, possibly not until Nov. 1.

This puts the public presentation of the car in December or near the year-end. Mr. Ford is represented as being in no hurry, as feeling that the depression has so hit the class on which he leans for a large proportion of his business that nothing would be gained by rushing a new car on the market. It would be a typical example of his sense of showmanship to time the debut of the new model to coincide with the New York automobile show. When it comes, competitors expect to find considerable attention given to the elimination of vibration—Plymouth's new selling point. They also expect a 4 of longer wheelbase and bigger body.

Although Mr. Ford's rivals would like nothing better than to continue to

make gains at his expense, strange as it may seem, they are hoping that he will stage a rapid comeback. They base this hope on the belief that renewed sales by Ford on a large scale, combined with the picture of the Ford wheels at Rouge turning again regularly, assuring employment to some 70,000 to 80,000 men, will go a long way toward providing the confidence in the return of business which industry now lacks. This week saw between 15,000 and 20,000 former Ford employees recalled.

Apparently Mr. Ford's failure to maintain a pace much more than half of that in 1930 has not shaken his confidence in the future. He continues to spend millions on branch assembly plants located to take advantage of water transportation, his latest venture being plans for a new plant on the Lake front near Cleveland. Critics, however, point out that Mr. Ford's system of branch assembly plants with its huge investment and overhead is scarcely profitable unless production is pegged at a high figure.

It is in low transportation rates on parts and finished cars that Mr. Ford

relies for a generous measure of his profit. Recently he began regular shipment of parts from Dearborn in his own boats through the Great Lakes, New York State barge canal to his Edgewater, N. J., assembly plant and also by this route and thence through the Canal to his California plants.

The Great Race

In the first 8 months of 1931, Chevrolet made 643,410 cars, Ford about 650,000 (Ford's figures for the last 3 months are estimated, as they have not been given out officially). Chevrolet continued to lead Ford in passenger car registrations during July, 58,000 to 50,000 cars, having maintained first position consistently since January. In August, Chevrolet made 54,958 cars, or 3,336 cars more than in the same month last year. It is currently employing 33,000 men. Its 1932 line is not expected until at least Dec. 1, then to feature the recently perfected Bendix clutch control (*BW*—Sep 2 '31).

Other Returns

Oldsmobile shipped 2,400 cars in August, bringing its year's production up to 42,500 cars, or 750 more than last year. Hupp turned out 847 cars in August, with total shipments this year 14,858 cars. Reo has manufactured 10,298 cars this year, Auburn-Cord 32,045 cars (*BW*—Sep 9 '31) compared with 13,693 in all of 1930. Plymouth's August production was 28,000 cars. Up to Sept. 1, about 60,000 of the new cars had been made.

The industry's performance for July in United States and Canada was 223,181 units, August about 200,000, September should be 180,000. Chances for the industry bettering its 1930 showing in the fourth quarter seem excellent, since stocking of dealers should stimulate production in November and December.

Good and Bad Spots

Retail passenger car sales in July totaled slightly less than 200,000 cars. Low-priced cars made up about 75%, this percentage having been maintained with only slight variations in the last 2 years. New England, New York, Chicago and California are the most active retail sections, the South is the blackest area on the sales map.

Reports that several manufacturers in the medium price class are considering an invasion of the low-price field next year are heavily discounted in Detroit, as the tremendous resources necessary to finance such an invasion would be prohibitive, with Ford and Chevrolet firmly entrenched.

margin that they must know cost-perportion in advance to make sure of a profit.

To them Swift offers quick-frozen sandwich steaks in 12- to 15-lb. cartons, each containing steaks of known thickness, 6 to 8, or 8 to 12, or 10 to 14 steaks to the pound.

Even Hamburgers

The all-night lunch wagon can buy cartons of 12 packages, 1 lb. each, of quick-frozen Hamburger, already sliced into sandwich patties, average weight 2 oz., ready for the pan. The concessionaire, anxious for a quick profit on a transient trade, can buy hamburger sliced into 1-oz. patties, of a lesser grade, already discreetly peppered.

Swift realizes that consumer buying of quick-frozen meats will grow slowly; in the meantime, builds strictly commercial markets with a well rounded-out line for hotels.

The roast of beef, that ancient standby of hotel chefs and guests, backbone of aristocratic *carte du jour* and plebeian bill of fare alike, has been standardized. Cuts of 6-rib size come 2 to the carton weighing 12 to 30 lbs., but chuck ends and short ribs have been removed so that, even at a somewhat higher price per pound, the chef has little trouble in carving a profit out of his purchase.

Substantially Swift & Co. is in position to go after large-scale distribution whenever it chooses. Building a market is greatly simplified with an already well-known brand. In recent experiments in marketing, definite identification by brand, made possible with quick-frozen meats, has been stressed.

The process used by Swift in quick-freezing is reported unlike any other and was developed in its own Chicago laboratory.

Armour Takes Middle Course

Armour & Co. is also cutting a slice of the quick-frozen meat market, but from a different angle. It has a line of quick-frozen pork, kidneys, oxtails, other meat products, that are not packaged but sold in bulk for re-sale by meat retailers. Items of steady consumption—pork chops, tenderloins, sausage, etc.—are frozen and offered to dealers in cartons of 25, 50 and 100 lbs. each, much as chilled products have been marketed for years.

Bulk marketing of its quick-frozen products evidently was adopted by Armour as a middle course to secure the whole-hearted cooperation of meat retailers and butchers. Regularly established meat markets are generally opposed to selling meat in packages as it eliminates the need for expert meat cut-

ters, often brings grocery stores and other retailers in direct competition with them. Therefore, Armour is not likely to undertake the marketing of packaged quick-frozen meats until public acceptance is assured.

Cudahy Packing Co., after some experimenting with frozen meats, is reported not interested in further expansion in that direction but may be expected to re-enter the field if conditions are found to be favorable.

Meanwhile, independent grocers and meat dealers as well as chain store officials are making substantial investments in low-temperature cabinets for display and storage of quick-frozen products, thus providing increasing distribution.

Goodyear Plans Airplane Tires for Cars, Trucks

GOODYEAR TIRE & RUBBER CO., largest manufacturer of automobile tires and other rubber products, is preparing to capitalize in the automotive field its extensive experience in the manufacture of airplane tires.

Airwheel tires, long used on airplanes to insure safe and comfortable landing, are now being made for tractors, trucks, and pleasure cars. With substantially smaller-size wheels, greatly increased air volume is made possible, while the operating air pressure is cut in half.

Advantages claimed for the new type

tires include greatly improved resiliency, increase in traction through doubled area of road contact, and with the latter more effective resistance to skidding. Objections center around the danger of a puncture or a blowout at high speed, because of the excessive difference between the inflated "airplane" tire and the solid hub portion of a wheel. For this reason doubt has been expressed that the new tire will become popular on high-speed cars or trucks. It is also pointed out that motor car manufacturers, after following the popular trend toward extremely large size, thin-wall, low-pressure balloon tires in 1926 and '27, have gone to the modified balloon.

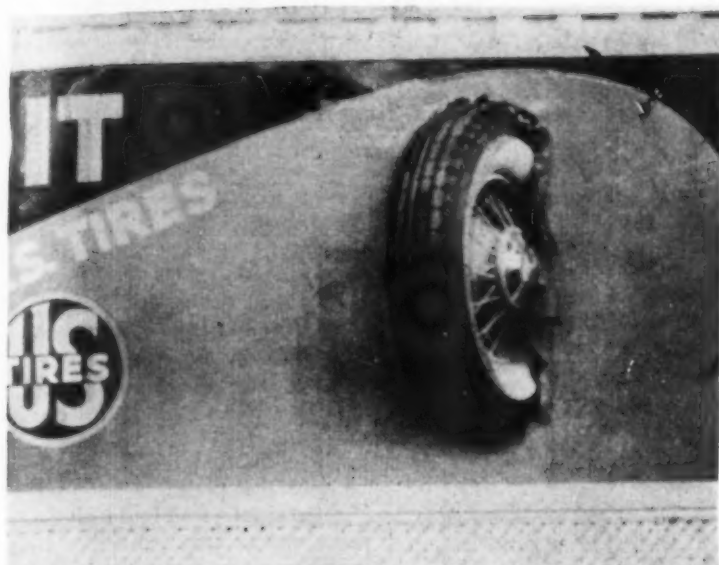
Airwheel tires have been found especially practical on tractors, are now manufactured in several sizes exclusively for tractor use; have given excellent results on trucks; are expected to become popular on pleasure cars.

Long Try-Out

Goodyear, in developing airwheel tires for automotive use, is following the same policy pursued when cord tires were being perfected and subsequently when it pioneered pneumatic tires for motor trucks; has equipped some of its own trucks with the new type. They have given satisfactory service for 25,000 to 40,000 miles. However, it was found necessary to balance brakes and install hydraulically operated gear to facilitate steering.



RADIO ABROAD—Germany's Radio Show is opened by the mayor of Berlin. New models in radio and home talkies were exhibited



TIRE MOVIE—In this new "action" poster, used by U. S. Tires in Detroit, the giant 8-foot wheel projects through the sign, revolves day and night

Motor Makers to Join Ford In Trenches About Christmas

**The new low-price models will come out in December;
fourth-quarter prospects are more promising**

THE Ford Motor Co. will make at least 50,000 more of its present line of model A cars before it changes over to production of the revamped models. Releases of orders for parts and materials for the new car have been held up so that manufacture of the car on which Mr. Ford will pin his 1932 hopes will not begin until sometime in October, possibly not until Nov. 1.

This puts the public presentation of the car in December or near the year-end. Mr. Ford is represented as being in no hurry, as feeling that the depression has so hit the class on which he leans for a large proportion of his business that nothing would be gained by rushing a new car on the market. It would be a typical example of his sense of showmanship to time the debut of the new model to coincide with the New York automobile show. When it comes, competitors expect to find considerable attention given to the elimination of vibration—Plymouth's new selling point. They also expect a 4 of longer wheelbase and bigger body.

Although Mr. Ford's rivals would like nothing better than to continue to

make gains at his expense, strange as it may seem, they are hoping that he will stage a rapid comeback. They base this hope on the belief that renewed sales by Ford on a large scale, combined with the picture of the Ford wheels at Rouge turning again regularly, assuring employment to some 70,000 to 80,000 men, will go a long way toward providing the confidence in the return of business which industry now lacks. This week saw between 15,000 and 20,000 former Ford employees recalled.

Apparently Mr. Ford's failure to maintain a pace much more than half of that in 1930 has not shaken his confidence in the future. He continues to spend millions on branch assembly plants located to take advantage of water transportation, his latest venture being plans for a new plant on the Lake front near Cleveland. Critics, however, point out that Mr. Ford's system of branch assembly plants with its huge investment and overhead is scarcely profitable unless production is pegged at a high figure.

It is in low transportation rates on parts and finished cars that Mr. Ford

relies for a generous measure of his profit. Recently he began regular shipment of parts from Dearborn in his own boats through the Great Lakes, New York State barge canal to his Edgewater, N. J., assembly plant and also by this route and thence through the Canal to his California plants.

The Great Race

In the first 8 months of 1931, Chevrolet made 643,410 cars, Ford about 650,000 (Ford's figures for the last 3 months are estimated, as they have not been given out officially). Chevrolet continued to lead Ford in passenger car registrations during July, 58,000 to 50,000 cars, having maintained first position consistently since January. In August, Chevrolet made 54,958 cars, or 3,336 cars more than in the same month last year. It is currently employing 33,000 men. Its 1932 line is not expected until at least Dec. 1, then to feature the recently perfected Bendix clutch control (BW—Sep 27 '31).

Other Returns

Oldsmobile shipped 2,400 cars in August, bringing its year's production up to 42,500 cars, or 750 more than last year. Hupp turned out 847 cars in August, with total shipments this year 14,858 cars. Reo has manufactured 10,298 cars this year, Auburn-Cord 32,045 cars (BW—Sep 27 '31) compared with 13,693 in all of 1930. Plymouth's August production was 28,000 cars. Up to Sept. 1, about 60,000 of the new cars had been made.

The industry's performance for July in United States and Canada was 223,181 units, August about 200,000, September should be 180,000. Chances for the industry bettering its 1930 showing in the fourth quarter seem excellent, since stocking of dealers should stimulate production in November and December.

Good and Bad Spots

Retail passenger car sales in July totaled slightly less than 200,000 cars. Low-priced cars made up about 75%, this percentage having been maintained with only slight variations in the last 2 years. New England, New York, Chicago and California are the most active retail sections, the South is the blackest area on the sales map.

Reports that several manufacturers in the medium price class are considering an invasion of the low-price field next year are heavily discounted in Detroit, as the tremendous resources necessary to finance such an invasion would be prohibitive, with Ford and Chevrolet firmly entrenched.



GOOD RUSSIANS—There are 350 of them. They worked hard and well for "the 5-year plan in 4." Now, they're going through the Ford plant at Dagenham, England, as a reward for their industry

Failure of Florida East Coast Is Story of a Wrong Guess

BACK of the news dispatches from Jacksonville, Fla., last week announcing the appointment of receivers for the Florida East Coast Railway, lies a story of how the management of a corporation "guessed wrong" as to the future volume of business and brought the company to insolvency.

Probably the only railroad in the world started as the appendage to a hotel system, the Florida East Coast grew into a line 522 miles long with numerous branches. Henry M. Flagler, its godfather, built the line piece by piece in the late '80's and early '90's primarily for the purpose of carrying guests to his expanding chain of hotels at St. Augustine, Ormond, Palm Beach, and Miami. The Flagler system of hotels and railroad supplemented and supported each other.

Winter Vacation Boom

As winter vacations in Florida became increasingly popular, the railroad prospered. It became a veritable gold-mine—owned first by Flagler and a few of his Standard Oil colleagues and, upon his death a score of years ago, by a

group of associates together with the Flagler estate.

A decade ago, Florida East Coast was on the way to become an even more valuable property, for the boom was commencing and passenger and freight traffic jumped proportionately. Younger, more alert men came into the management of the company and a complete rebuilding of the road was decided upon.

A Model for All

The old single-track line, with its dirt ballast, numerous curves, no block signals, over which trains meandered at a once-typically Southern pace, was rebuilt. Heavier rails were laid on good ballast; automatic block signals installed; heavier motive power purchased; dark green steel cars substituted for the old yellow wooden ones.

The Florida East Coast had become one of the model properties of the country. Everything about it was modern. Steel and concrete structures supplanted rambling office buildings. Schedules were speeded up. The "Overseas Railway" from a point south of Miami to

Key West, leaping from key to key for 100 miles, had established through freight service to Cuba, with the F. E. C.'s own car-ferries carrying cars across the 90-mile stretch to Havana.

\$63,000 Debt Per Mile

To effect all these improvements, however, the road had gone heavily into debt. A total of \$45,000,000 in bonds was issued in 1924-5-6, at the peak of the Florida boom. Rebuilding costs were heavy at that time and the road finally was in debt to the tune of \$63,000 per mile of line. No one could foresee the collapse of the boom, at least so far as it pertained to the annually-increasing volume of freight and passenger traffic. But hard-surfaced highways began to cut into the passenger business; the Mediterranean fruit-fly spoiled one year's orange crop and other vicissitudes overtook the growers in later years, while in South Florida a competitor, the Seaboard Air Line, built a parallel line to compete for traffic which was already insufficient for even one railroad.

Advertising Diminishes

The company came to the end of its rope when it defaulted on its bonds Sept. 1, and the president, William R. Kenan, Jr., and Scott M. Loftus were appointed receivers. Its hotel affiliate is disintegrating rapidly. The Royal Palm Hotel at Miami was demolished a few years ago; the Alcazar at St. Augustine will not be open this winter and other changes are in prospect. Advertising might have helped the situation but with the growing popularity of West Indies cruises and subsequent drop in Florida visitors, the railroad reduced its appropriation.

Loree's Link Involved In Consolidation Moves

TEN months have passed since the Interstate Commerce Commission put in its hat to incubate the Loree plan for a 283-mile line between Allegheny City and Easton, Pa., to provide a new low-grade route between New York harbor and the West. It had been supposed until recently that the veteran president of the Delaware & Hudson Co. is not anxious to press in this year of depression a project that would require enlistment of \$140 millions for the bare cost of construction. It seems, however, that H. T. Newcomb, Loree's attorney, is more curious than anybody else to learn why the I.C.C. has so long postponed a decision.

Perhaps the answer is that the com-

mission is holding the Loree plan as a pawn in the consolidation game, waiting until it has exact knowledge concerning the long awaited 4-system plan on which the Pennsylvania, the New York Central, Baltimore & Ohio, and Nickel Plate are seeking agreement. This plan apparently was retired to the showers during the hot weather but is still alive, despite reports that N. Y. Central walked off the field in the ninth inning.

In two reports—in 1925 and 1930—the commission's examiners recommended rejection of Loree's application on the ground that he had failed to establish a necessity. However, they urged that the commission must consider the best method of supplying the future needs of transportation between the Middle West and New York harbor.

Without discussing whether the priority of the rights of existing carriers should be conceded, they declared that as the Loree plan is superior to the projects of the trunk lines for additional routes, the greatest benefit to the carriers and public alike would be realized by providing the new route under an arrangement that will give all of them a direct financial interest in its success.

This was, in effect, the view expressed in 1925 by Daniel Willard, president of the Baltimore & Ohio, when the commission sought his opinion on the Loree plan. Since then the B. & O. has acquired, with the commission's sanction, control of the Buffalo, Rochester, & Pittsburgh and the Buffalo & Susquehanna as links in a new short route to Chicago all its own.

Speed Produces Traffic, So Trains Shorten Runs

CANADA has challenged England for the honor of running the world's fastest train. The Canadian Pacific Railway has scheduled its train, The Royal York, for a run of 124 miles in 108 minutes—an average of 68.9 miles an hour—between Smith's Falls, Ont. and Montreal West, on the final leg of the Chicago-Toronto-Montreal run of this train. (England's Great Western speeds a train 77 miles from Swindon to Paddington, London, in 70 minutes—an average of 66 m.p.h.)

In the United States, the fastest runs are those of the Pennsylvania and Reading railroads between Camden and Atlantic City, where each maintains trains on 57-minute times for runs of 59 and 55 miles, respectively, the Pennsylvania thus averaging better than 62 miles an hour for this short run.

Ontario a Speedway

For longer runs, Ontario is the speedway of railroads, the Canadian Nationals averaging 55.7 m.p.h. for the 334-mile Montreal-Toronto run of the International Limited, while the Michigan Central's Wolverine en route from Chicago to New York rolls across 249 miles of Ontario landscape between Windsor and Buffalo in 252 minutes, probably the most notable run of all, with its almost mile-a-minute speed.

Rail officials are learning that speed produces traffic. Sir Henry W. Thornton, chairman and president of the Canadian National, recently told the Canadian Railroad Commission that

Haven Railroad's Yankee Clipper between Boston and New York. There, however, the \$2.50 extra fare is too heavy for the traffic to bear, in view of the slight saving in time over the other limited trains on which the extra fare is less than half that of the Clipper.

18-Hour Century Foreseen

That the New York-Chicago trains will ultimately be brought back to their 18-hour times of 25 years ago is now privately admitted by rail officers, who add that present use of heavier track, roadbed, and rolling equipment overcomes the objections that cut down former high speeds as a precautionary measure. The 20th Century Limited now averages only 48 m.p.h. against 54½ m.p.h. in 1905, when the 18-hour schedules obtained. The Century now is 35 minutes slower in running time between New York and Buffalo than the non-extra-fare Empire State Express, while the Southwestern Limited exceeds the Century's average time, making 50.3 m.p.h. for the 1156-mile run between St. Louis and New York, and for half the distance (St. Louis-Cleveland) steps along at a 52.6-mile rate.

The Pennsylvania, upon completion of its New York-Washington electrification project, has tentatively discussed New York-Philadelphia schedules of 90 minutes; 3½ hours through to Washington. In anticipation of 100-



FLYING TAXI—New York gets a "belt line" air taxi service connecting its airports. It will serve Long Island and Westchester patrons of the Newark airport. The gentlemen on the first trip are, left to right, Thomas Morgan, of Curtiss-Wright; City Clerk O'Toole, of Newark; Peter Brady, Aviation Commissioner; Maj. E. H. Brainerd, of Curtiss-Wright Flying Service. Show girls were the first passengers

mile an hour bursts of speed it has ordered some 152-pound rail to carry fast passenger trains.

Even Daniel Willard, Baltimore & Ohio president, who believes that passengers prefer a smooth and comfortable ride to a swift and somewhat more hazardous one, is showing signs of yielding. His New York-Washington trains are gradually getting down to a uniform 4½-hour time, while the Capitol Limited has recently been cut to 23 hours; a further cut of an hour is planned in order that the road may garner more of the New York-Chicago business. When the Baltimore & Ohio's consolidation is worked out the new line across northern Pennsylvania will permit 21-hour New York-Chicago schedules, with through cars to Kansas City over the Alton subsidiary.

Railroads are more interested in traffic than speed-records, but speed has again become a factor in passenger traffic, resulting in general tightening up of schedules.

Lamb Feeding Helps Northwest Farmers, Rails

NORTHWEST railroads have created a substantial amount of new livestock business this fall by acting as buying and selling agents for feeder lambs from the Western ranges.

Prior to 1930, farmers in Minnesota and the Dakotas fed practically no Western lambs for market. Aided by

the railroads, bankers, and others, they ventured into the field experimentally last year and marketed 150,000 head. This year the number is expected to be more than doubled. The total to be fattened in 3 states, including those handled by commercial feeders, will be approximately 500,000.

The Northern Pacific, the Great Northern, the St. Paul, and the Soo Line originated the plan. Their livestock agents sell farmers the idea of feeding from one to several carloads of lambs, then buy the animals in the West and ship them to the farms with a "stop in transit" privilege which

gives low through rates to final market. The Montana, Wyoming, and Idaho ranges are now sending feeder lambs to the Northwest instead of to the Corn Belt, as formerly. For the first time on record, lambs are being brought from Eastern Oregon to North Dakota.

Besides increasing railroad revenue, and putting a new source of cash income in the hands of farmers, lamb feeding will cut down the Northwest's surplus of cheap wheat, barley, and other grain. Experts estimate that farmers who sell their grain in the form of lamb chops will get about double grain's present cash value.

New Orleans Wins Long Battle For Ship Line to South America

AFTER long years of effort New Orleans, which lays claim to being the nation's second port, now has direct passenger service to the east coast of South America.

This has been made possible through the reconditioning of the Shipping Board's old steamship *Schoodic*. Machinery has been remodelled and rebuilt so as to step up the vessel's speed to thirteen knots. George G. Sharpe, a naval architect, has built into the boat, a Hog Island vessel of 1919 vintage, a particularly effective arrangement of public rooms and quarters. The suc-

cess of this particular reconditioning is regarded with significance at the Shipping Board and will affect plans for rebuilding scores of other vessels.

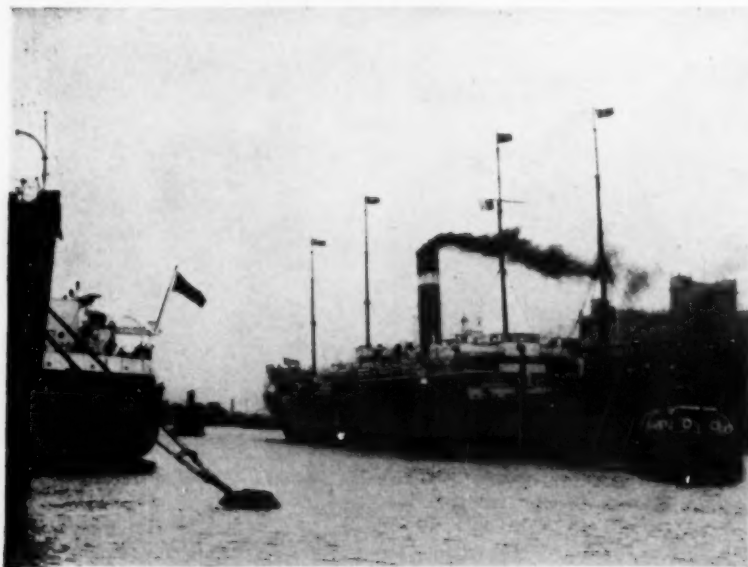
Three other ships of the Mississippi Shipping Co. are to be reconditioned in the same manner.

New Orleans is one of the ports which claims that great advantage has come to it by reason of the interest the government has taken in shipping since the war. Its experience through the years with attempts to build up independent services is exemplified by what happened to the Pan American Mail Steamship Co., an operation undertaken by the Business Men's League of New Orleans in 1912 to establish a line between New Orleans and the ports of Brazil.

Nothing Going Out

The commercial leaders of New Orleans for years had watched the never-ending stream of coffee and other commodities from South America pour over their docks and into the domestic distribution system. They chafed under conditions which would not permit them to export their products to South America. The British and German ships which had brought in the coffee loaded out with cotton for Europe, where they loaded manufactures for the return trip to Brazil.

Before embarking upon their plan New Orleans business men sent one of their number, Sidney Story, to Brazil to discuss the matter with shippers and officials there. Mr. Story was armed with credentials from the Secretary of State, from the governor of Louisiana, the mayor of New Orleans, and all of



S. S. SALESMAN—The good ship "British Exhibitor" comes up to London to be fitted out for her cruise to South America. She will follow up the Prince of Wales with samples of British products

the commercial exchanges of that port. In Brazil he was met with open arms.

Testifying under oath before the Committee on Merchant Marine and Fisheries of the House of Representatives on Jan. 7, 1913, Mr. Story stated that the President of the Brazilian Republic and his ministers all approved the idea and were anxious that an independent line be established. They put into writing a promise to subsidize the line, provided a mail contract or comparable assistance were furnished by the United States. The business men of New Orleans raised the capital to establish the line, which they called the Pan American Mail Steamship Co.

Little Thought of Profit

There was little thought of profit in the formation of the steamship company. All they wanted was some means to get their products to the Brazilian market. A large number of business men subscribed to the capital stock of the company. In order that it might be a community undertaking, individual stockholdings were not allowed to exceed \$500. The constitution of Louisiana was amended so as to exempt from taxation the line and others like it that might be established.

The Pan American Co. chartered three ships. With much ceremony these ships left in June, July, and August, respectively, loaded to the limit with the orders the New Orleans merchants had secured in Brazil. In fact, 12,000 tons of freight had to be refused on one voyage because of lack of carrying capacity. There was every assurance that orders for American goods would continue in somewhat the same volume.

When the ships arrived in Rio de Janeiro and Santos they found that they could secure no return cargo. Mr. Story testified that they had to go back to New Orleans without a pound of freight. "The threat was made," Mr. Story said in his sworn testimony, "that if the Brazilian exporters patron-

ize our independent American line they would not only lose their rebates but the conference lines (Royal Mail Steam Packet Co., New Orleans German Lloyd, Hamburg-American Line, Hamburg-South American Steamship Co., and Lamport & Holt Prince Line Steamship Co.) would refuse to accept any cargoes for either Europe or the United States." Mr. Story testified further the shipper was terrorized and made to believe that he would be forced into bankruptcy if he patronized an independent line. He explained that the New Orleans line did not cut rates. Its rates were the same as charged by the conference line.

As a further effort to eliminate the

independent line Lamport & Holt began booking freights direct from New Orleans to Brazilian ports. In the meantime the three ships had come back to New Orleans empty and the business men decided that they were not strong enough to resist the well-entrenched shipping combination so they abandoned their enterprise. The Lamport & Holt Co. then cancelled its bookings and did not take any freight from New Orleans to South America. In the opinion of Mr. Story the steamship companies overlooked no opportunity to block the goods of the United States from the markets of the countries they served so that exporters of their own countries might have the business.

Deny That Muscle Shoals Is A Fertilizer Proposition

PROVOKED by constant reiteration of the statement that the project is a fertilizer proposition, the fertilizer industry charges the Administration with wholly and deliberately ignoring the fact that the only modern plant on the government reservation is the Wilson Dam power plant and that the two nitrogen plants present this interesting but somewhat pathetic picture:

No. 1 has never produced a single pound of nitrogen; No. 2, in a test run back in 1919, produced approximately 276 tons and not a pound since. Fertilizer manufacturers declare that Muscle Shoals in 1931 is first of all a political proposition and second a power proposition, that its potential usefulness in the production of fertilizer lies wholly in the past.

When the Muscle Shoals plants were finished in 1919, sulphate of ammonia, most important nitrogen carrier, used in fertilizers, sold for \$97.50 a ton.

Sales have recently been consummated at as low as \$25.50 because of world overproduction. Domestic consumption of fertilizers now amounts to about 360,000 tons of nitrogen, of which approximately 50,000 is organic, leaving 310,000 to be supplied from chemical sources.

World Overproduction

The industry has a capacity of 300,000 tons of synthetics, which could be expanded to 400,000 under demand, and the by-product sulphate of ammonia industry is capable of supplying 200,000 tons of nitrogen if industrial conditions call for the use of an appropriate quantity of coking.

World overproduction of nitrogen in the face of a shrinking market has plunged Chile, Germany, and the other synthetic producing countries of Europe into a disastrous price war following the collapse of the international cartel. The Leuna plant of the German I. G.,



MUSCLE SHOALS AGAIN—The Alabama Muscle Shoals Commission meets in Washington to discuss the problem. Left to right are W. F. McFarland, S. F. Hobbs (chairman), Col. J. I. McMullen, Col. H. B. Ferguson, and Mercer Reynolds

that accounts for 54% of Germany's total nitrogen output, now is working at only 20% of its 625,000-ton capacity. There is in warehouses in Chile and in consuming countries a full year's supply of Chile nitrate. American producers of synthetics are working far below capacity and are carrying over a surplus amounting to tens of thousands of tons.

"Composite Steel" to Cut Cost of Rust-Proofing

To reduce the high cost of rustless steel in large fabricating jobs where heavy plates are required, Industrial Welded Alloys, Inc., New York, has developed a composite metal, known as Plykrome, which consists of an outward layer of corrosion-resisting steel veneered and weldbonded to a mild steel slab and then rolled on a mill to form an integral plate or sheet.

The metal can be handled, bent, drawn, spun, or flanged without cracking or parting the alloy from the steel. It can be made with the alloy ply surface on either side of the steel backing or both. A single surface satisfies requirements of most present industrial equipment where the material is applicable. The new metal, sometimes referred to as "composite steel," is expected to find outlets in the oil, pulp and paper, chemical, and automobile industries.

Develop Slow-Speed Motor Using Natural Gas as Fuel

CASTING about for means to keep its factories busy despite falling orders for farm machinery, Minneapolis-Moline Power Implement Co. has developed a slow-speed, heavy-duty, internal combustion motor using natural gas as fuel.

The new engine, said to be the first of its kind to be manufactured for commercial use, is being successfully employed in cotton gins in the Southwest. It is adaptable to slow moving stationary machinery. Its manufacturers claim unusual economy of operation where natural gas is available.

Instead of 1,500 to 3,000 revolutions per minute, usually developed by the ordinary internal combustion motor, the natural gas motor has a range of about 800 to 1,000 r.p.m. It is a modification of a type of slow-speed motor built for the use of kerosene or gasoline fuel.

Production of the new motor is under

way in Minneapolis. With the increasing use of natural gas for fuel throughout the country, W. C. MacFarlane, president of Minneapolis-Moline, believes the product has good prospects for widespread sales.

Ohio Savings Association Changes Name to United

OHIO SAVINGS ASSOCIATION, of Toledo, is open for business. It never did close, in spite of Toledo's acute financial troubles. It has changed its name to United Savings Association. The new name was adopted to avoid confusion with the Ohio Savings Bank & Trust Co., which closed Aug. 17. There was no connection between the two institutions, *The Business Week*, in its issue of Sept. 2, stated that the Ohio Savings Association had closed. This was an error, which needs correction.

"The savings and loan associations of Toledo are going to work out all right," says W. D. Freeman, president of the United Savings Association. "Of course, under the condition that developed here, they were obliged to check withdrawals by notice. And with the banking situation what it is—\$140 millions tied up in this city—deposits have dropped. But the loans are good, and mortgagors are meeting payments in good shape."

Gasoline Pumps Ring Up Sale and Print Receipt

OHMER FARE REGISTER CO. of Dayton, O., manufacturer of taximeters, cash registers, and other recording devices, has developed in cooperation with Davis Welding & Manufacturing Co. of Cincinnati, O., a complete recording unit for gasoline pumps used at service stations.

The pump automatically measures and delivers the desired quantity of gasoline, the attached Ohmer unit computes the amount of each sale, prints and delivers to customers a numbered receipt showing grade of gasoline purchased, gallons bought, price per gallon, and total amount paid.

For the operators of the service station the register carries on a recording strip a complete record of each transaction and computes totals for specific periods.

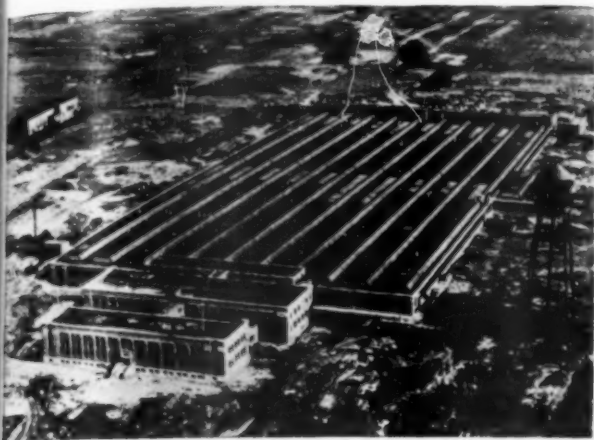
The new unit represents the application of previously known principles to a field in which there has been much lack of adequate control and records and in which, with the expanding activities of oil companies maintaining thousands of stations, more complete records of transactions have become essential.

Fleet owners and companies with trucks and salesmen's cars will now be able to check gasoline consumption through sales tickets.



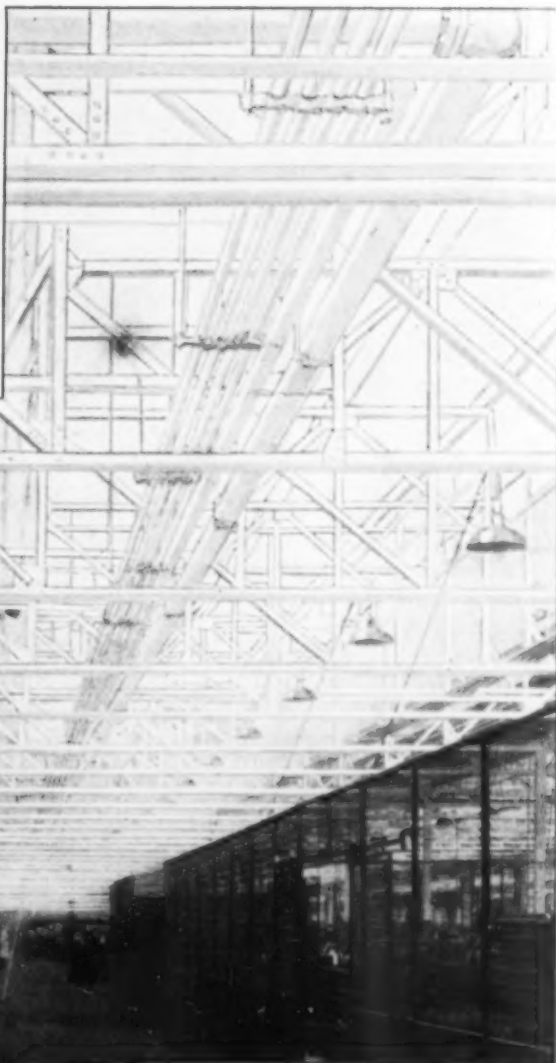
COAL SAMPLER—The Bureau of Mines designed this truck especially to take samples at the mine. It is equipped to handle 1,000-lb. chunks, crushing and mixing them to get representative 5-lb. laboratory samples

gallons of Barreled Sunlight



(At left) Aerial view of The Pratt & Whitney Aircraft Company's new plant at East Hartford, Conn. Painted throughout with Barreled Sunlight.

(Below) An interior of the Pratt & Whitney plant. Ceilings and walls are kept well lighted, clean and white by Barreled Sunlight. (Architect—Albert Kahn, Detroit, Michigan. General Contractors—Turner Construction Co., Boston, Mass. Painting Contractors—Scully, McDonnell Co., Providence, R. I.)



GUARANTEE...

Barreled Sunlight, The Rice Process White, is guaranteed to remain white longer than any oil gloss paint or enamel, domestic or foreign, applied under the same conditions.



Sunlight

Pat. Off.

Business Weighs 2 Proposals For First Aid to Real Estate

"Salvage Plan," latest idea, assumes that only temporary measures are needed

UNDER pressure of continued depreciation in realty prices, resulting in both building curtailment and serious mortgage credit difficulties, the real estate situation is receiving increasing attention from Washington and from financial and business circles.

Proposals long in a nebulous stage are now taking definite form in 2 plans. The first is that for a Central Real Estate Mortgage Bank to make mortgage credits more widely available and to raise the standards of granting these credits (*BW*—May 20 '31, June 10 '31, Aug 12 '31). Proposed by the National Association of Real Estate Boards, this plan has won considerable support. More will be heard of it when Congress meets.

The Salvage Plan

The second, and more recent idea, may be called the National Real Estate Salvage Plan, and has as its aim both the relief of mortgage-credit-granting institutions and of the real estate market. It has active support in Washington and is reported to have been

the subject of discussion at a recent White House meeting of financial officials.

This plan assumes that much of present depreciation of real estate is temporary, unwarranted by fundamentals. It proposes a series of corporations to grant financial aid in emergency cases to keep distressed holdings off the already glutted real estate market. An eventual profit is visualized from these operations, with immediate relief to banks, insurance companies, and others with frozen real estate loans.

No Government Money

Capital for the project is expected from bankers and financiers. The present idea is that they should willingly contribute, that under no consideration would government money be appropriated.

The backers of this project have cut out a big job for it. An official study of the Investment Bankers' Association reveals that property behind \$6 billions of mortgage bonds is in difficulty and the total of all types in trouble would

run much higher. Further declines in rents and prices since the study was made indicate that this estimate is now inadequate.

Outside of the ranks of its proponents the idea finds many doubters. The ability of banks and financiers to raise the large amount of capital which would be necessary to cope adequately with the situation is questioned; so is their willingness to place such a large amount in real estate credits. Opponents as well as proponents raise strong objections to governmental appropriations to finance the project.

Domestic Electricity Bill Higher; Total Sales Lower

DOMESTIC use of electricity during the first 6 months of 1931 was 7.2% above that of the same period of 1930 and 22.7% greater than in 1929 despite the fact that total sales of electric current declined 4.3% from 1930 and 1.4% from 1929.

Domestic Use Increasing

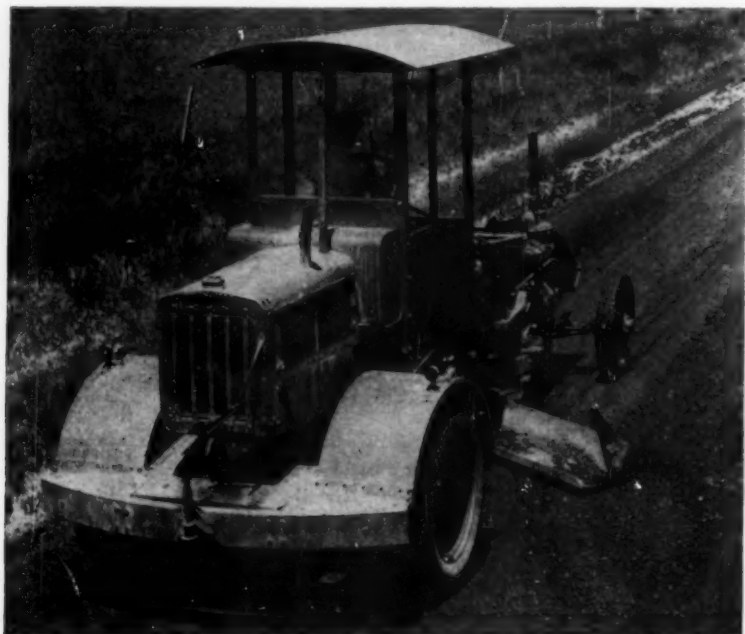
Domestic use is increasing at the rate of 12 billion kw.-hr. per year, more than the entire sales of the industry 20 years ago. During the first 6 months of this year new residential customers brought the total up to 20,350,000, according to the National Electric Light Association, over 70% of all urban, suburban, and farm homes in the country. During the same period average annual electricity consumption per user increased from 548 kw.-hr. to 563 kw.-hr. while average revenue per domestic unit decreased 1.3%.

Increasing use of electrically operated household appliances such as electric refrigerators has been instrumental in increasing the use of current and has also contributed to lower annual bills because more consumers are getting the benefit of lower brackets in the rate schedules.

Depression Helped

There are indications that depression has not greatly affected the domestic use of electricity. In fact, it may have increased the use of home current to operate electric washing machines instead of sending laundry out, to clean homes electrically instead of hiring help, to do more cooking at home when cash for outside meals is not so plentiful.

Use of electricity by small concerns, stores, theaters, institutions, and similar places also increased over previous years, while large industrial and mining enterprises consumed 10% less power during the first half of 1931 than in 1930.



The Business Week

BACK END TO—Caterpillar designed this "auto road patrol" with the engine and the drive wheels at the back to allow for scraper mechanism

THE PRESENT DOLLAR MEASURES THE COST • THE FUTURE DOLLAR THE PROFIT

FLAME PAINTS AN IMPERISHABLE FINISH ON *Natco* VITRITILE



THE permanence of the finish of Natco Vitratile is born of



—flame that sears the face of the tile into a vitreous surface as hard as glass, as resistive as glass, as

lasting as glass. The beauty of finish



of Natco Vitratile — the golden tans, the soothing browns, the lovely

mottles,



the soft and pleasing blacks and whites



come from painstaking and scientific pro-

cesses, developed through forty years of tile-making experience of the highest order.



The wide accept-

ance and uniform satisfaction of Natco Vitratile come from this permanence and attractiveness, plus the advantages of

dealing with a concern with an enviable record for keeping its promises, and standing uncompromisingly back of its product.

The permanence of Natco Vitratile translates itself, in service, into decreased maintenance, lowered depreciation. It makes the building dollar go further, saves on the dollars for upkeep. May we send you a booklet discussing building economics? Just ask for "The Present Dollar."

NATCO
THE COMPLETE LINE OF
STRUCTURAL CLAY TILE

**NATIONAL
FIREPROOFING
CORPORATION**

General Offices: Fulton Bldg., Pittsburgh, Pa. Branch Offices: New York, Chanin Bldg.; Chicago, Bulfinch Bldg.; Philadelphia, Architects Bldg.; Boston, Textile Bldg.; Washington, D.C., National Press Bldg.; Birmingham, Ala., Martin Bldg. In Canada: National Fire Proofing Company, of Canada, Ltd., Toronto, Ont.

The largest concern in the world manufacturing a complete line of Structural Clay Tile and Underground Clay Conduit.

Western Union, Postal Put New Punch Into Their Merchandising

Telegraph companies, long so stodgy, become alert innovators and aggressive salesmen

THE most ancient and honorable wheeze in telegraph annals relates to the Civil War parent who hung a new pair of boots on the wire running past his house and expected the new-fangled contraption to make delivery to his soldier son.

One generation's laugh is the next generation's reality. Not only do the wire companies "deliver" all sorts of things to distant points—the policy of vigorously merchandising their services, abetted by competition from the husky upstart, radio, sharpened by the hot breath of the depression on the back of their necks, has led into alien pursuits that are strange, wonderful, and profitable.

Social Secretary

Postal Telegraph has just inaugurated a social secretarial service. Wisecracks (one man wanted to know if he could have a messenger boy escort for his daughter at a Junior League dance) came pouring in by mail and wire. The company blandly collected tolls from the messages, estimated the advertising value of the free newspaper notices, and opened a department that proves they weren't just fooling. It is in charge of Katharine Bleecker Meigs, who is in the Social Register. She will tell you where to buy a hat, compose for you a high tea, provide for your daughter a "dingbat," which last is social slang for impeccable dowagers who serve as chaperons for fees.

A Different Method

From its august eminence the Western Union looks down with kindly tolerance at such gestures of its rival. You are told that the idea was kicking around New York for some time and that W. U. turned it down because it was a "stunt" from which small dollar returns could be expected. Also that the W. U. could have had the theater ticket agency into which Postal embarked. Western Union generally sticks closer to its wires, centers its drive on innovations like the new serial telegram by which a day letter can be sent a little at a time.

Theodore N. Vail was the earthquake that shook the wire companies out of traditional error that theirs was an engineering job and they had small interest

in the hurly-burly of sales competition. A. T. & T., under Vail, got control of Western Union in 1909. He brought with him a technical man, who had been with the telephone company, was then directing Westinghouse's London organization. The name was Newcomb Carlton.

At that time a messenger boy was a young tough whose energies were hoarded for crap shooting and fighting, whose miles-per-hour while on duty made a standing theme for comic artists. Telegraph offices were dark holes. At night, wires and operators dozed through a vacuum of business while overhead ran merrily on. Vail's short reign changed all this.

The first year's increase was \$5 millions. In 3 years, gross jumped 45%; wages paid operators rose 55%. First stimulant was the hook-up by which one could phone a telegram. Inauguration of the night letter in 1910 created

at 24-hour demand for service. The day letter followed in 1911. Offices (and messenger boys) were renovated and brightened. Postal went happily along, adopting the W. U. improvements, thinking up refinements of its own.

After 3 singing years there came to the ears of W. U. executives an ominous sound as of sniffing. The Department of Justice was on the trail. A. T. & T. divested itself of its holdings of Western Union stock.

Develop New Ideas

Vail left behind a renaissance telegraph industry. Most of the W. U. sales ideas are bred in their own offices, the officiating physician to many a happy event being J. C. Willever, first vice-president. The Postal is perhaps more open to outside suggestion.

One gold mine was found in a depression of the W. U. sales chart. Suspension of business at Christmas cut the number of commercial messages. An unnamed genius noted the fact that the same day registered a rise of friendly greeting between friends and families. The two ideas were put together; greeting messages were pushed; Christmas became the peak of the year. By a logical extension the wires soon were carrying heart throbs on all manner of anniversaries and birthdays.



MENTOR BY WIRE—Mrs. Katharine Bleecker Meigs is the newest addition to Postal Telegraph's service staff. In the Social Register herself, she advises patrons on modes and manners, all—of course—by telegraph

The wire companies cashed in doubly on the strategy that put across Mother's Day. Not only did people send messages; by arrangements with organizations of florists, bouquets were soon being telegraphed. Here was another open door. Beyond it the commercial departments arranged for dispatch of candy, books, cigars. "Canned messages" encountered the derision of the cognoscenti. But stockholders scanned the cash returns—and were effectively fortified against the barbs of the wits.

Since 1928 when Mr. Mackay and his Postal companies were being taken under the wing of International Tel. & Tel., sales efforts of the organization have been even more diversified. At about that same time a husky ex-California football star named C. B. ("Barney") Allsopp was taken from the A. T. & T. and put in charge of the Commercial Department at Postal. His altitude is over 6 feet, he retains much of his football physique, dresses well, knows the whims and limitations of public demand.

Postal in Radio

Postal (unlike W. U.) announces that it intends to become increasingly important in radio communication. Last June it took over Federal Telegraph and kindred organizations including Kolster Radio. Important is the fact that these companies have valuable radio patents.

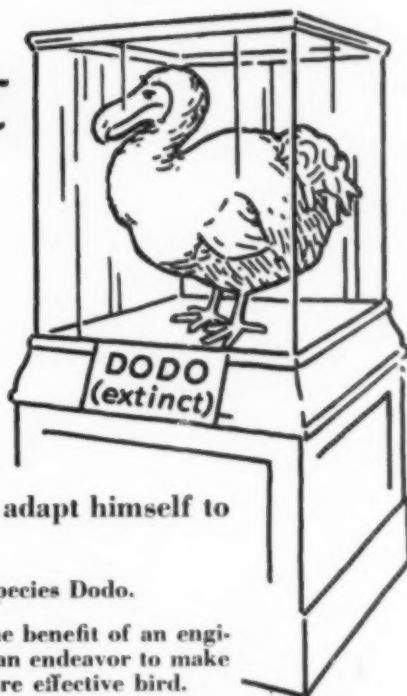
Both companies boost the use of telegrams in the sales, collections, and correspondence of business organizations. Telegraph offices can get you plane schedules, book passage, have merchandise shipments picked up and delivered to airports. (A regular client of the Postal is a Los Angeles gardenia grower who daily sends 75 pounds of blossoms to the New York market.) Transfer of money by wire has grown steadily since it was inaugurated and is one of the reasons the Postal went into the theater ticket business.

Capitalize Depression

Companies which have had to discharge office boys, now hire messengers by the trip or pay them for actual time put in answering phones, etc.

Success of the merchandising idea can be read in the reports of the companies. In 1920 net earnings of the Western Union were over \$13 millions; by 1925 they rose to over \$16 millions. From 1926 to 1929 they stuck close to \$15½ millions. Postal earned \$2,972,671 net in 1929; comparison with earlier years is difficult because of the new set-up in 1928. Of course, depression has hit both companies.

the Right to Exist



"He couldn't develop and adapt himself to conditions."

Thus reads the epitaph of the species Dodo.

The poor old Dodo never had the benefit of an engineering analysis, undertaken in an endeavor to make him a better designed and a more effective bird.

Your product, if you are a manufacturer, presumably holds the right to exist. But the Dodo once possessed it, too.

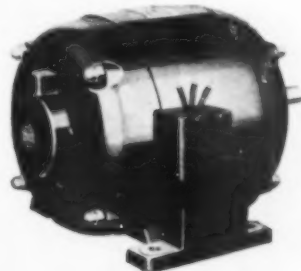
These are the days to *strengthen* the claim of one's product upon the right to exist in its market. Can it be improved? Can it be given greater appeal?

The Master Electric Company is glad to offer its service, without obligation, to the manufacturer of motor-driven machines who is seeking to strengthen his product. From an improved application of the motor drive—such as we have frequently been able to recommend—can come distinct advantages: Improved appearance; a symmetrical and compact machine; better efficiency; greater safety, and reduced production cost.

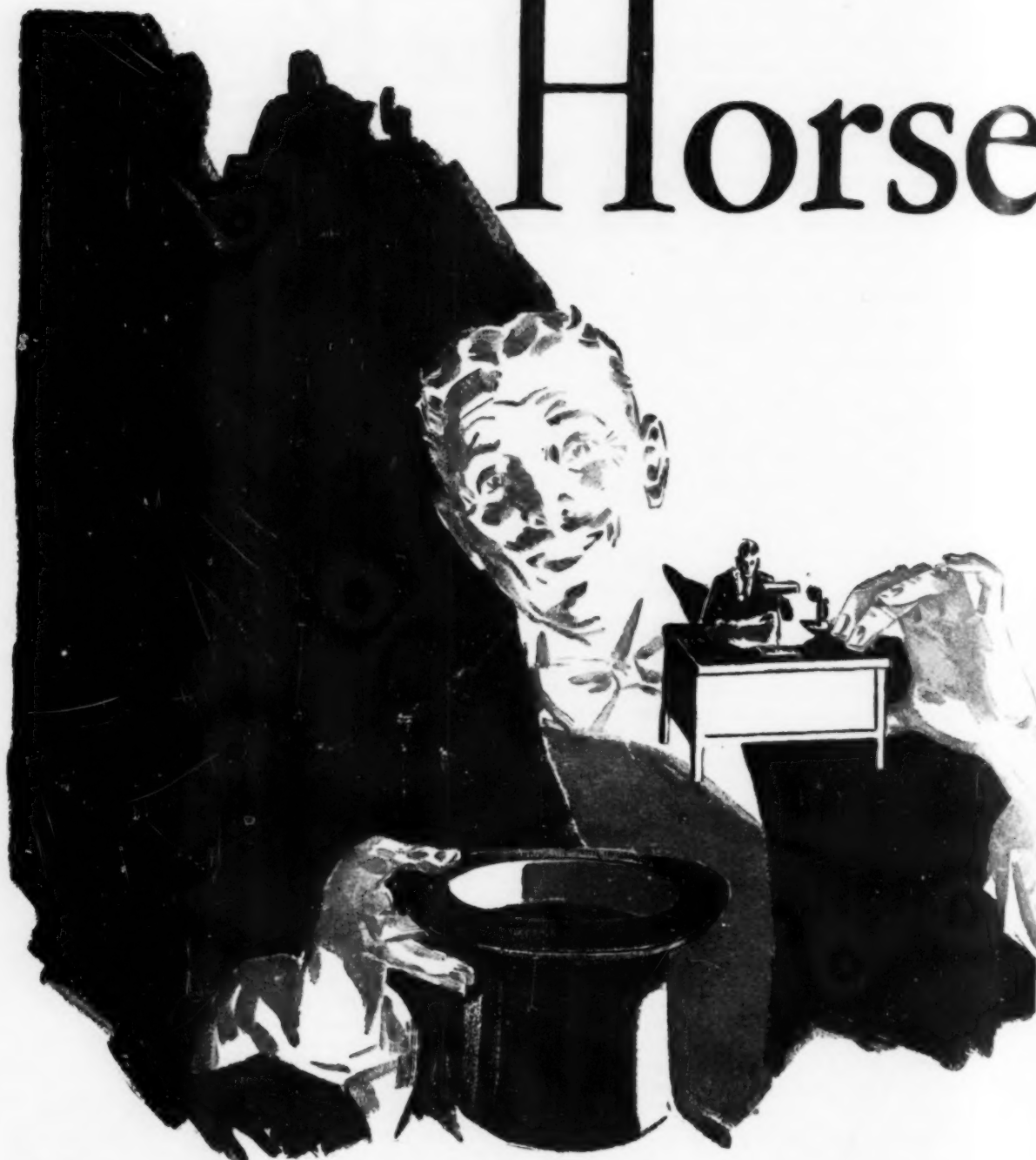
The Master Electric Company
DAYTON, OHIO

D. W. Larsh

President & Gen. Mgr.



Horse



6 Jobs that business paper advertising can do NOW

Here's another of the ten ways that business paper advertising can help your salesmen get business . . . today.

★It can establish recognition, confidence, prestige for your product. Take that burden off your salesmen's shoulders, and they'll find it easier to close the sales.

This and the other uses of business paper advertising are explained in our book, "Industrial Advertising at Work." We will gladly send you a copy on request.



Mc G R A W-

McGRAW-HILL PUBLISHING CO., Inc., New York · Boston

Business men, industrialists and engineers—600,000 of them—regularly read the McGraw-Hill Publications. More than 3,000,000 use McGraw-Hill books and magazines in their business

The Business Week System
Factory and Industrial Management
Maintenance Engineering

sense

.... *not Magic*

is the keynote of today's advertising

Magicians can pull rabbits out of empty hats. But advertising isn't magic—it's just plain horse-sense. Pages of advertising can produce customers only out of those magazines whose subscription lists hold potential customers.

Today's advertising must forego the spectacular for the more certain in results. If you're selling to business and industry your advertising belongs in the magazines that go direct to those fields. Preferably those that go there *exclusively*.

McGraw-Hill business publications do just this. They offer you a selected audience of over half-a-million business men, industrialists and engineers—the men who can give or withhold today's buying orders. McGraw-Hill Publications are more than magazines. A recent check-up showed that they are used as buying guides by 69% of the executives questioned.

Advertise in them and you will see how true this is!

HILL PUBLICATIONS

Philadelphia · Washington · Greenville · Cleveland · Detroit · Chicago · St. Louis · San Francisco · Los Angeles · London

American Machinist
Product Engineering

Engineering News-Record
Construction Methods

Engineering and Mining Journal
Engineering and Mining World
Metal and Mineral Markets
Coal Age

Electric Railway Journal
Bus Transportation
Aviation
Textile World

Electrical World
Electrical Merchandising
Electrical West
Power

Radio Retailing
Electronics
Food Industries
Chemical & Metallurgical
Engineering

Depression's Ill Wind Carries Riches to Foresighted Jewelers

Gems bought at low price in slump are remodeled and resold at great profit in booms

To the idly loitering tourists, passers-by, window shoppers, the rue de la Paix near Paris's heart looks in the doldrums today. So does the ugly rue Lafayette. That is because the former is the Fifth Avenue of the retail jewelry business of the old Continent and the latter its Maiden Lane in wholesale commerce.

So in the real upper Fifth Avenue of Manhattan, people from clubs, churches, and art dealers' galleries, note the blank inactivity of the finely architected palaces that bear the foreign-sounding names of domesticated houses for the sale of the precious hardware. One great house held a monster sale, 50% discount, sold to the last wrist watch and departed back to Paris with a long and fabulously dear lease on its hands. True, it could not sell jewelry during a panic. But it was in the selling business only. It came here at the very top of the boom. It had no local connections that alone enable a merchant to buy well.

And that is the crux of the whole matter. For the men who do the work in gems have never in their lives been so busy, have never made such profits, according to their own peculiar but logical method of bookkeeping.

Buy in Depression

There is almost no retail selling going on over the suede-topped counters. But there is a mighty activity in buying, whether in shop headquarters or in rich people's already less rich houses. The great jewelers are repeating their practice of the centuries. They are buying back their own wares from the opulent of yester-year.

A wise jeweler who left a great house to perpetuate his genius remarked that the greatness of the jewelry business in the world's affairs was due uniquely to its opportunities of purchasing in times of war and depression and selling during the era of prosperity that must follow. The profits of the trade, he concluded, are made on the day of purchase rather than on the day of sale. Any statistician in precious stones can tell you today what a certain diamond will bring in a certain country in 1934. The trick is to buy that stone today for

one-third or one-half of the inevitable resale price. One must have the cash. One must be on correct, confidential, and intimate terms with the ruined owner of the gem. And one must not make an enemy of him. Usually, the same people get rich again and inevitably do they wish to display their success with diamonds.

These Are the Rules

A few of the chief doctrines of this exquisite commerce:

(1) The jeweler must stand back of controlled production of gems as firmly as capitalist governments stand back of the gold standard. The British Diamond Syndicate with its Amsterdam and Antwerp affiliates is to him what the fixed price for gold in terms of paper money is to the Bank of England. The British Sphere of Influence in the Persian Gulf and over its tiny island of Bahrein does for pearls what the Diamond Syndicate conceived by Cecil Rhodes does for diamonds. The jeweler must never, never go into the mining business. He is the enemy of mining.

(2) Because he must always have cash in the event of depression the jeweler must always be rich in cash, no matter how much it costs. There is one house in New York that sometimes has \$8 millions, always \$4 millions, and that has never owned even a bond.

(3) In giving credit to customers, which is necessarily a wide practice in a commerce consummated mostly with ladies, one must invariably insist on a note and that note must be discountable at a first-class bank and discounted that very day.

(4) Whenever one is fortunate enough to make a purchase from an excellent in distress one must instantly remanufacture the piece of jewelry. In values the stone is 95% or 98% and the setting the remaining 2% or 5%, on purchase, but not on resale. New trimmings enhance the value of a stone.

(5) One should buy in fresh diamonds at Amsterdam and fresh pearls from Leonard Rosenthal's well-washed windows on dirty Lafayette street only such quantity as one cannot procure by purchase at bargain prices from jewelry wearers. Any production of jewels at all

is a peril to the trade. A Rosenthal man once suggested a year's moratorium in production. It may yet be agreed upon. If the world were left free to produce, stones would be worth one-fifth of their late boom price in a few months. Diamonds might be steam-shovelled and pearls might be dredged. Their whereabouts are perfectly known to the geologists.

Histories Complete

(6) Now for the principles of purchase from private owners, matter of the first importance that may make or ruin a house. The best jewelers have large statistical organizations and voluminous archives kept up to the instant. When millionaires die they leave their jewels, that they bought from you or a competitor, to somebody or other. There must be a complete record about all that attached to the photographs, sales slips, and X-ray of the pieces in question. It must be apparent at a glance just what Madame paid, just when, how long her notes ran, and who is to get the piece, if possible.

The instant the old lady dies a buying gentleman must be despatched to her bier. He must be a good man, a born buyer, a technical jeweler, tactful,



NO PACT—Dr. Johan Schober, Austrian foreign minister, who, with Germany's Dr. Curtius, sponsored the Austro-German customs union, defeated in its present form

lachrymose on occasion, sombrely dressed, of quiet voice and pious demeanor—a sort of mixture of doctor and priest and undertaker, in short. In his wallet he must carry from 3 to 6 certified checks from the best of banks.

A Diplomatic Job

He must be able to explain to the heirs the great complications of handling the big pear-shaped diamond through the uninstructed surrogate's court; the unfortunate old-fashioned appearance of any pear-shaped diamond nowadays; the very great peril involved in the necessary splitting of this monster pear-shaped stone into one or even two table-cut diamonds, now all the rage; the handiness of receiving spot cash right today for something that the late sweet lady took 33 months to pay for; the risks and expenses and dangers of insurance; his firm's willingness to undertake this costly, perhaps impossible, insurance while its specially imported diamond cutters from Amsterdam split this brittle fortune, well, perhaps into a few, a very few thousands of profit to the firm, but perhaps, well, just into so much dust. The essential is that this man has got to bring back this diamond in exchange for one of those certified checks, no trace, no taxes, no talk back then or later. Curiously enough this sort of man is seldom an Oriental, Jew, Armenian, or Indian. A Connecticut Yankee is one of the greatest living.

Records of all rich people's children must be posted to date to anticipate engagements, weddings, etc., etc. Approach is through the confidential family salesman in the shop downstairs.

Door to Anschluss, Blocked By France, Is Not Closed

VIENNA (Cable)—The Austro-German economic union has been postponed, but perhaps not abandoned. Austria and Germany volunteered to withdraw the issue for the time being when financial worries became too complex to be solved without French aid. The World Court set its seal on the voluntary renunciation by the narrowest possible margin—one vote.

Had the Hague's adverse decision on the Anschluss been rendered 2 months earlier, it would have provoked a nationalist uprising in both Austria and Germany. Subsequent developments—the financial crisis in Vienna and Berlin,

(7) For the salesman, principles are 2. They must know nothing whatsoever about gems and they must work on a high commission basis, usually 1%, of gross sales, which for men who often sell a one hundred thousand dollar bauble in an hour or two is fair pay. Further, salesmen must expose exactly a choice of two and no more. A littered table never sells, it confuses, excites envy that enemy of decision. If neither one will do, salesman must be so sorry and promise to get some others from the factory. The lady will return. Last, salesmen must not be subjects of economy. Let them become millionaires, if they can. They must be rich-looking, anyway, though not gaudy and never slick.

They Don't Wear Out

On the basis of pre-panic retail prices jewelry was a large business. Estimates of world or country values were pure guesses, of course. The U. S. had about half of the stones in the world, as we did of gold. There were perhaps a billion dollars "worth" of them, but they could not have been sold for that, had the sale been forced through in rapid time.

These artificially rare objects have one quality; they keep. They also endure in fashion throughout the ages. It is a far cry from an Indian Rajah to an Oklahoma oil phenomenon. But both gentlemen have one vice in common. They love to show off. They also love to show off their women folk. And they can both be caught by two highly developed and very ancient commercial arts, the jewelry business and the antique art business.

and the newly opened possibilities for closer Franco-German relations—have transformed the issue. Though the decision is a disappointment both to Austria and Germany, and offers a fresh opportunity for jingoism, probably neither country would attempt now to carry out the project even if the Hague court had given its blessing.

3 Significant Facts

Close observers in Berlin and Vienna point to 3 significant facts in connection with the decision:

(1) The foreign ministers of the 2 countries—Dr. Curtius and Dr. Schober—in their joint renunciation of the

WHERE THE ONE-EYED IS KING

Judging by recent events, business is included within the boundaries of that mythical "land of the blind where the one-eyed is king."

If prosperity is to return before long, business men will have to sharpen their vision, view their problems in the light of changed conditions and adjust their plans accordingly.

Experienced management engineers can help to remove the blind spots and to cure astigmatism. Thus, they can assist in laying sound foundations for profitable accomplishment.

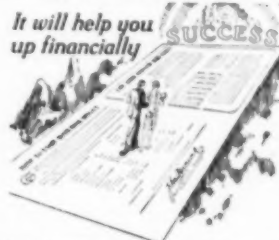
H. A. HOPF & COMPANY

Management Engineers

Forty Rector Street, New York

Ask us to send you a copy of "Net Results." Many business leaders read this monthly publication regularly.

—JOHN HANCOCK SERIES—



MANY households are still trying to pull themselves up financially by their own boot straps, with the usual result — no gain in altitude.

The safe and sane method to advance is to climb aboard a household budget. It is the start of a journey which you want to make.

We have sent thousands of our budget sheets to thoughtful American husbands and wives who are on their way to a more secure and happier method of living.

We shall be glad to send you, without charge, the John Hancock Budget Sheet. It will help you whether you already have an accounting system or not.

John Hancock
LIFE INSURANCE COMPANY
OF BOSTON, MASSACHUSETTS

John Hancock Inquiry Bureau
197 Clarendon Street Boston, Mass.
Please send me your Home Budget Sheet.
I enclose 2c to cover postage.

Name

Address

N. B. OVER SIXTY-EIGHT YEARS IN BUSINESS



Your New York Banking Connection

MANY business concerns throughout the country maintain New York accounts with the Guaranty Trust Company. Each account receives the personal attention of experienced officers who are familiar with the customer's business and who keep in close touch with it, wherever it may be located.

In addition to rendering such individual service, the Bank makes available to its commercial customers the advantages of its ample resources and its exceptional facilities and contacts, national and international.

We invite executives to discuss their banking requirements with us.

Guaranty Trust Company of New York

140 BROADWAY

FIFTH AVENUE at 44TH STREET

MADISON AVENUE at 60TH STREET

LONDON PARIS BRUSSELS LIVERPOOL HAVRE ANTWERP

CAPITAL, SURPLUS AND UNDIVIDED PROFITS

MORE THAN \$295,000,000

© G. T. CO. OF N. Y. 1931

project announced that they "will not pursue the Anschluss" plan. They do not commit themselves on resumption at some more auspicious time;

(2) The Hague decision applies only to the specific form of the customs union as recently proposed;

(3) A majority of the judges found the proposal contrary to the 1922 convention which was undertaken to secure an international loan. A majority, however, found the proposal compatible with the war treaties.

Therefore, the Anschluss door still is open, though the Hague decision necessitates a different approach.

Austria now is seeking the consent of the League of Nations for another \$40-million loan. It is remarkable that when German bonds are selling at nearly 50% discount, Austrian 7's are still above par. Apparently it is not realized abroad that the Austrian government, and Austria as a nation, today are virtually bankrupt, are not able to meet their obligations or even to carry on their own living without further foreign assistance. Such assistance will only add to Austria's already heavy obligations without increasing its eventual capacity to repay.

Opportunities Neglected

The contention often has been advanced that Austria, as constituted after the war, could not possibly sustain herself. Intimate students of internal conditions now hold that Austria not only is viable but has the potentialities of prosperity. The trouble is that Austria has failed to recognize her changed postwar economic position, has pursued fatuous policies of protection for misfit hothouse industries, and made extravagant social expenditures to the utter neglect of agriculture. Many economists at home and abroad have failed to note that imported foodstuffs, for instance, make up more than half of the country's trade deficit, which is the highest per capita deficit in the world.

Capital which has been advanced to keep Austria artificially alive, when really the country, if properly managed might be self-sufficient, has been capital poured into a bottomless hole. Now, more is demanded. But it is world conditions, not a better foreign understanding of the Austrian situation, which makes dubious any immediate response to this demand. If more money is advanced now, probably it will be largely from France, perhaps from France alone, and for France's own political purposes—namely, aid in return for specific Austrian assurances designed irrevocably to close the Anschluss door.

Business Abroad—Swift Survey Of the Week's Developments

World business is in a state of nervous suspense. . . . Britain is awaiting reaction to the new economy program. . . . Germany mistrusts present artificial stability. . . . France is discouraged over domestic prospects but pleased with new "strategic" gains abroad. . . . Italy is disconsolate but not alarmed. . . . Sweden plans banking precautions. . . . Chile quells internal rebellion but still is unsettled. . . . Argentina, disgruntled over loan renewal rates, pulls the belt tighter, plans to meet maturity with internal business support. . . . Another week is likely to give shape to many trends now only embryonic.

Seasonal Improvement Slow Throughout Europe

EUROPEAN NEWS BUREAU (Cable)—Business in Europe, as in the United States, still fails to show any seasonal improvement except in those industries manufacturing consumables, and even in these improvement is limited.

The week has been characterized by stock market slumps, especially in the secondary markets such as Zurich, Stockholm, Amsterdam, and Milan. This is attributable to 2 primary causes. Local values in these centers have been supported at disproportionately high levels by the presence of refugee foreign capital. In the second place, and more fundamental, the freezing of foreign credits in Germany has set up throughout Europe an effort by affected foreign banks to recover their original liquidity by security sales whose proceeds should offset the absence of funds imprisoned in Germany. To this have been added sales by German banks of their foreign holdings in order to mobilize foreign exchange. The condition of banks in secondary centers, however, appears to be relatively strong and no runs are expected. Sweden, to forestall any run on her currency comparable to the run in Great Britain, is expected shortly to launch a \$50-million foreign loan to offset the repatriation of foreign deposits occasioned by the reasons given above. Repatriations now are virtually completed.

Also notable in Europe this week is the widespread renewed increase in unemployment, with attendant com-

plications. A whole series of countries are proposing public works programs to alleviate unemployment but the prevalence of budgetary deficits fails to allow the necessary funds, and everywhere the approaching winter is viewed with grave concern.

Commodity markets, with the advent of September, are still uniformly weak with visible stocks discouragingly high, at least when compared with current consumption and with the indisposition of trade and industry to cover more than their immediate needs.

In England, MacDonald's coalition government has received a substantial vote of confidence indicating adequate political strength to put through a dose cut and budget reforms, notwithstanding bitter Left Wing Labor opposition. But uncertainty whether the coalition will hold together long enough to carry the reforms to their final conclusion or will split on the tariff issue, which still is regarded as inevitable, is paralyzing any new business initiative.

In Germany, there has been some recovery from the average 25% vertical drop of security values following the reopening of the stock markets, but exchange is again weakening under withdrawal by instalments of foreign Reichsmark balances in Germany, a move to which the government reluctantly gave its consent at the recent bankers' conference at Basle in return for an extension of foreign credits.

Anschluss Plan Dropped

France has received the Hague Anschluss decision with a degree of satisfaction, though recognizing it does not irrevocably eliminate the possibility of future economic cooperation between Austria and Germany. It does, however, remove the principal immediate obstacle to French financial assistance in Austria and Hungary, which means the complete "encirclement of Germany with a wall of French gold."

Summer Indicators Justify French Business Gloom

Business indicators are slipping. Metallurgical industries chiefly affected. . . . Security markets generally nervous and inactive. . . . Company profits dwindle. . . . Automobile leaders anticipate international market

allocation to avoid ruinous competition. . . . Politics delay coveted Soviet orders.

PARIS (Cable)—Business conditions slowly are developing a more pessimistic trend. July iron and steel production figures confirm previous reports that the metallurgical industry chiefly is affected by the depression. July figures, which usually show a decided seasonal increase over the previous month, this year are reversed. Pig iron totalled 860,000 tons; steel, 650,000 tons; are, respectively, 18% and 21% below last year's records.

Bourses again are inactive, nervous, and weak. Oversubscription of the £20-million British treasury 4½% bonds is viewed with satisfaction by French bankers as the biggest French foreign issue ever floated unsupported by the aid of the Bank of France. These bonds were almost entirely absorbed by big investors and capitalists. It is thought likely that if England desires aid at the end of the year to convert this aid into a long-term loan, the greater part could be turned over to the small medium-class French investor without difficulty.

Profits Drop

Annual returns of large companies showed a great diminution of profits. Alsthom, the largest electrical equipment manufacturer, showed profits 23% below last year, passed its dividend; Lille Bonnières, leading independent petroleum company, reports a 50% loss of profits. Various metal-working industries also report difficult conditions, particularly machinery and automobiles. International competition in the latter apparently is unabated by the depression, instanced by Italian Fiat's plans to open an assembly plant near Paris, and Citroën's decision to do likewise in Italy. Reports are current that leading automobile interests are now advocating international ententes with the view of eliminating such uneconomic developments in the future by limiting various markets to industries best placed to insure supply.

Wheat Imports

As a result of continuous rainfall, France estimated next year's imports of wheat to be 56 million bushels. France, at present, is maneuvering to cover a part of this deficit by imports from Central Europe in return for preference given certain French industrial products.

The recent decision of the French railway companies to suspend all new orders for rolling stock for the time being has caused considerable alarm in the metallurgical centers of northern

France, where most of the country's rolling stock is manufactured. There are 12,000 workers employed directly in the industry; another 40,000 are employed in related industries. Several plants have adopted a 5-day week, are even contemplating a 4-day week. Other plants report personnel cuts as high as 25%.

Until very recently, negotiations for a Franco-Russian trade agreement were moving so smoothly that it seemed that France would even go in for Soviet financing to facilitate French sales to Russia. Recent events have dampened somewhat this intense interest in Soviet business.

Political Tension Keeps London Business Nervous

Business in abeyance until government economy program gets under way. . . . Markets nervous and inactive. Rayon brightest spot among textiles. . . . Little prospect of real pickup until elections settle socialist and tariff issues.

LONDON (Cable)—The tension attending the announcement of the government's economy plans has kept business in a state of worry and inactivity. The general outlook is not encouraging. Inevitably buying activity will be curtailed as a natural reaction to the new economy program, and lingering hopes that business might recover this fall are waning.

Relief Shortlived

The relief which came to business with the appointment of a coalition government has been shortlived because of the mounting opposition of Labor acting through the Trades Union Congress, and of the growing insistence on an election at the earliest possible date. Though neither may delay seriously moves by the coalition to legislate and carry out extensive economies, there is little prospect of business revival till elections, whenever they may be fought, assure the defeat of socialism and afford some concrete definition of tariff prospects.

All lines are slack. Business in cotton goods at Manchester has been slow, with buying very cautiously approached, owing to uncertainty with regard to the future course of values. Bids from India have been too low for acceptance. Fair quantities of dyeing materials have been taken by South America.

Among other textiles, Bradford wool has been quiet with competition for

new yarn contracts keen. The Huddersfield district reports no material development beyond a slight increase of demand from Japan. Rayon is moderately active, with better overseas inquiry. Australia has placed good orders and Chinese business in brocades has expanded.

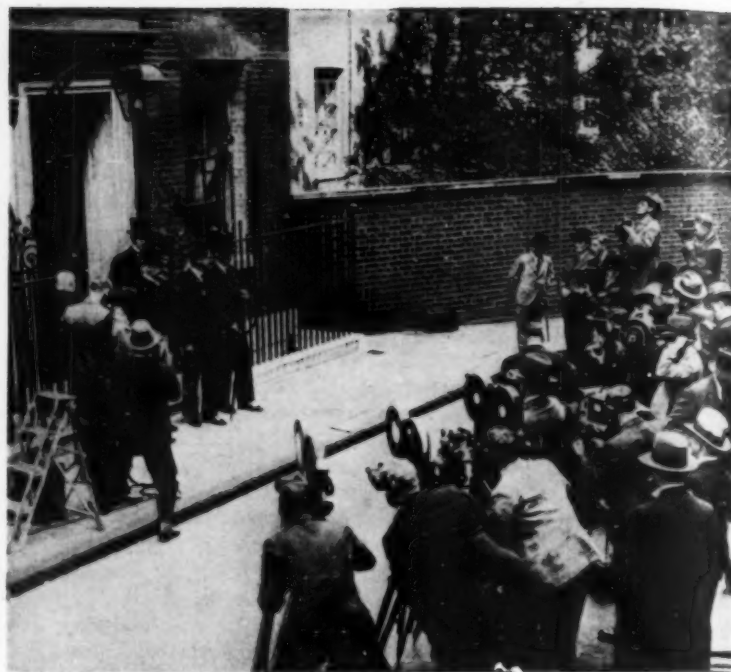
Political and financial uncertainties have depressed the iron and steel industries. Hope is still held for an autumn revival.

Coal shipments in Wales have improved, but the activity is only temporary and partly due to steamers recently held by tempestuous weather reaching dock. The course of the new government is being closely watched as, in view of the constant contraction of trade under the stabilization scheme, and accumulation of stocks in spite of quota working, some change in the policy is expected. Prices on household coal in Lancashire and Cheshire already have been advanced.

Duty Increase Seen

The clearance of tobacco from bond is being restricted by the government. This action indicates that an increase in the duty on tobacco is imminent.

Selfridge & Co., Ltd., have acquired a controlling interest in the firm of Brian Lewis & Co., retail airplane distributors, which, when linked with Selfridge's aviation department, becomes the largest airplane retail distribution concern in the world.



ACTION! CAMERA!—Scene: No. 10 Downing, looking like a stage set. The actors (in hard hats) are members of the new National Cabinet

German Markets Steady But Sentiment Shaky

Business is apprehensive lest present artificial props give way under miner shocks. . . . Employment declines. . . . Reich welcomes Farm Board wheat on 3-year credit. . . . Nitrate agreement attempts to protect export outlets.

BERLIN (Cable)—The relative, though artificial, equilibrium of the financial structure which was established in recent months is being maintained with increasing difficulty because business is apprehensive that there will be a new setback in the near future. Though momentarily stabilized, the lack of liquidity of the banks makes it unlikely that they can withstand many new blows from outside or from within until the strain of the foreign exchange situation has been lightened or removed.

Although the momentous events since the outbreak of the financial crisis have devitalized the customs union issue, independently of the adverse Hague Court ruling and formal surrender at Geneva, nevertheless it is acknowledged by public opinion as a national humiliation and a symbol of the establishment of French financial predominance in Austria and Hungary, thus indefinitely adjourning German plans for economic aggression

in southeastern Europe. The resignation of Dr. Curtius, Foreign Minister, is claimed by all shades of political opinion though it is unlikely to become effective before the visit of French government officials at the end of September.

The Reichsbank announcement of a more liberal credit policy in connection with the last bank rate cut is not taken seriously since the bank's resources are now inadequate, the gold reserve being down one-third over last year, and its bill portfolio up 70%.

There are rumors of the possibility of a merger of the government-controlled Dresdner Bank and Danat Bank, and subsequently with Commerz Bank. Though officially this is denied, it is well-founded and would lead to a concentration of German big banking. Realization of these plans, even partially, will result in catastrophic unemployment among bank personnel, thus adding to the general burden of a record number of jobless persons.

Steel Mills Shut

The West German steel industry is faced with a new wave of shutdowns and dismissals which will be accentuated after the completion of the 300,000 tons of Soviet orders which followed the signing of the German-Soviet trade agreement in April.

The details of the German-Belgian nitrogen agreement which have just been made public indicate that this agreement was not limited to the question of mutually introducing a licensing system for the import of nitrogen products. According to the German press the following important points were also covered: (1) Belgian nitrogen interests agree to limit their production to 25% of capacity; (2) the Belgians refrain from exporting their surplus in order not to disturb German sales in foreign markets; (3) in return for these concessions the Germans will pay a cash consideration, the exact amount of which is unknown.

Plan Agreements

Thus, following the collapse of the European and the world's nitrogen cartels, a collapse which is still considered definite in Germany, the country is trying to build up a system of partial agreements which will offer certain possibilities to utilize, in the way of exports, at least a part of the tremendous excess capacity.

The Farm Board wheat deal, which provides for the sale to Germany of 200,000 tons, is expected to materialize on the basis of payment over 3 years with interest at 4½% and at a price

only slightly above the market. The credit terms make the deal attractive to the Germans, especially since latest crop estimates are rudely slashed by continued unfavorable weather. This, combined with poorer quality, will necessitate net imports of from 300,000 to 500,000 tons.

Hopeful Signs Seen In Italian Industry

Business, except in rayon and aluminum, is logy, has small hope for a winter pickup. Alarm signals, however, are entirely lacking. . . . Government increases farm protection, plans emergency public works program, shows confidence in its fiscal position. . . . Italo-Roumanian trade treaty projected. Rayon producers concentrate sales in one company.

MILAN (Cable)—With the exception of unusually good activity in rayon and aluminum, and some recent improvement among hatteries and cotton mills—paralleling similar improvement in industrial consumables elsewhere—general conditions continue logy, will probably be more so as winter approaches. But, though several factors occasion uneasiness, none so far warrants undue pessimism.

Lira Under Pressure

As a consequence of the depression and in common with many other currencies, the lira is under pressure, as reflected in the persistent decline of the Bank of Italy's exchange reserves. It is foreseen that this pressure may be accentuated by none too favorable harvests and by the resulting import requirements for 1932. Official figures are not yet available, but it is estimated that while the wheat crop exceeds last year's short crop, the harvest of the second most important cereal, corn, will be exceptionally low due to drought. Following last month's 25% increase in wheat duties to \$1.02 per bushel—part of the government's policy to preserve domestic farm income—the corn duty now also has been increased to 43¢ a bushel.

The latter is particularly important following last year's \$40-million national deficit and the announcement this week of the government's \$190-million public works investment program coming this winter (for canalization, highways, railways, telephones, etc.) which is expected to employ 260,000 workmen and counteract in part already rising unemployment as

TOMORROW MORNING TAKE AN INVIGORATING NEEDLE BATH . . .

You can when you put a Speakman Anystream Self-Cleaning Head on your present shower



K-3395 SPEAKMAN Anystream Self-Cleaning Shower Head (Pat. Jan. 2, 1923).

WITH this head you can change to a normal or flood shower by simply turning the handle. In fact, you may have, *at will*, any degree of shower force and volume—even a needle bath, with very low house water pressure.

And if you are installing a shower remember that Speakman make a complete line of showers for residences, hotels, clubs and institutions.

Literature on the Anystream Self-Cleaning Head; also on various types of Speakman Showers for regular and special installation, will be mailed promptly.

SPEAKMAN COMPANY

WILMINGTON, DELAWARE

SPEAKMAN SHOWERS & FIXTURES

Please send literature on Speakman Anystream Self-Cleaning Shower Head

If literature on showers is also desired check here



"The Ideal Distribution System" —says Pepsodent

MANUFACTURERS worried about sales quotas and distribution costs should take a tip from Pepsodent . . . and consider the use of AWA merchandise warehouses for the spot-stock distribution of their merchandise, through warehouses located in every distribution center of importance. Says L. W. Bauer, Traffic Manager of the Pepsodent Company:

"The public warehouse is a most important factor in the national distribution of our products. This company was quick to recognize the possibilities, and has been a user of public warehouses since the earliest development of its business. We do not know of a better medium for any large shipper or national distributor. It permits the spotting of stock at the most strategic centers. The service is flexible and can be adjusted to suit the most exacting requirements. In fact, it is the ideal instrument with which to set up a thorough and practical distribution system upon a most economical basis."

AWA Warehouses furnish all necessary facilities and services required for the strategic spot-stock distribution of raw materials, manufactured articles and service parts of every kind. You can use as many warehouses as your business requires . . . in two cities, in twenty cities, or in a hundred cities!

✓ WRITE FOR FREE BOOK

Full details of the AWA Plan of Distribution are described in our 32-page booklet: "Increasing Your Sales Through the Use of AWA Warehouses." Have your secretary write today for your copy.



**AMERICAN
WAREHOUSEMEN'S
ASSOCIATION**
1928 Adams-Franklin Bldg., Chicago, Ill.

**FREE
BOOK!**

**Send
for
Your
Copy!**

harvesting ends. This program apparently is intended to be financed by current revenues since the government has rejected the \$100 millions oversubscribed to the \$250-million June bond issue.

Rejection of these oversubscriptions is of particular interest. On the one hand it is evidence of the recovery of confidence by the Italian people in the government's securities, which once they viewed skeptically. On the other hand it indicates the government's confidence in its own fiscal position. Rejection is attributed to overloaded stock portfolios in Italian banks. Were the full amount of the oversubscription in the bond issue accepted, it would entail the selling of private securities on an already weak stock market and might gratuitously provoke serious bank difficulties, especially since in the last fortnight foreign sales, notably German and Swiss, have accentuated the downward domestic trend.

Latin America Quells Revolts, Studies Finance

Business dull. . . Chile quells rebellion. . . Argentina prepares to meet \$50 million maturity. . . Uruguay threatens tariff discriminating against United States. . . Mexico inaugurates new labor code.

CHILE has put down the civil rebellion, but the whole outlook is still involved.

Principal interest in Argentina centers in maturity on Oct. 1 of the \$50-million foreign loan. At present, \$10 millions in gold already has left Buenos Aires for New York. The Uriburu provisional government says the balance in \$10 million instalments in the next few weeks, but Wall Street implies a portion of the loan still may be renewed. If payment is made in full, it will have been made possible by the subscription internally of the amount necessary.

Many Protest Tariff

Uruguay came to the attention of United States exporters when it announced tariff increases of 50% on virtually all manufactured goods and then promptly cut the rate to 25% on goods coming from Great Britain, Belgium, France, Germany and Italy "because of reciprocal advantages." Adjustment, following an American protest, is likely.

The Colombian Cable & Air Mail Weekly Service reports that fiscal agents in New York have received funds to cover Oct. 1 coupons on outstanding

obligations of both Santander and Antioquia provinces.

The Mexican government has put into operation its new code regulating the employment of labor, as well as a new tax on gross receipts, applicable to all industry. These two measures are expected to counterbalance, in large part, the benefits derived by many industries from the exchange premium that now prevails as a result of the adoption of the new currency standards. The labor law, which supplants the various conflicting state codes and which is the result of many years of revision, went into effect on Aug. 28, the date on which it was published in the *Diario Oficial* of the Mexican government. The tax law, passed early in August, is retroactive to 1930.

Shorter Working Time

Probably the greatest change in operating conditions which the new labor law will effect will be in working hours. The maximum day shift will be 8 hours; night shift, 7 hours; and intermediate shift, 7½ hours. Night is defined as the period between 8 p.m. and 6 a.m. In industries that require continuous operation—such as metallurgical plants—this regulation will leave operators with the alternative of paying for 1½ hours daily at overtime rates (which the law says must be double normal rates) or of adopting a four-shift basis, with all shifts six hours long. Other provisions include a 6-day week, compulsory vacation with pay (4 full days for the first year of complete employment), and an elaborate system of arbitration of all disputes. In all, the labor code contains no less than 685 separate articles.

Outlook Encouraging For Japanese Business

Business fairly cheerful. Markets steady. . . Many silk mills to suspend unprofitable operations.

THE Japanese business outlook continues fairly cheerful. Government bonds sold strong all the week and stock exchange shares were firm. Commodities are steady.

Cause of immediate disappointment, but likely to benefit the industry in the long run, is the decision of a number of silk spinning mills to suspend operations. Two factors caused the move: (1) Drastic decrease in the cocoon crop causing higher prices; (2) Low prices obtained for raw silk. As surplus stocks are absorbed, prices should improve.

German Stock Exchange Faces Gloomy Future

BERLIN (Cable)—Last week the government control board of the Reich and the stock-minded portion of the German public prepared for a cold plunge. The Stock Exchange—closed by the crisis since July 11—opened on Sept. 3. German banking interests particularly dreaded the reopening, though they admitted that business could not possibly return to normal until stock and bond markets were again functioning freely.

Exceeded Most Expectations

To Berlin, opening prices exceeded the worst expectations, though carefully prearranged restrictions prevented a "run" of sellers. Despite a steady upward movement in the week following the opening, Germans are gloomy, see disappointment ahead when restrictive props are removed.

The stock index declined 22% from 68.1 on July 11 to 52.7 on Sept. 3, some losing as much as 40%. Even this disappointing price level is largely nominal, since quotations are fixed arbitrarily by the Boerse commissioners.

Drastic Restrictions

Forward trading still is prohibited. Presumably, only cash transactions will be admitted for months.

Quotations arbitrarily were filed at an average of 25% below pre-panic rates. Selling orders were allotted among the few buying orders. Thus sellers actually are allowed to sell only from 5% to 10% of the quantities they have offered. Blank quotations on nearly two-thirds of the list indicate an absence of buyers even at drastically reduced price levels. A free play of offer and demand would result in much lower levels.

Partial recovery of a few shares during the days following the opening was due largely to intervention of the stronger still liquid companies, such as I. G. Farbenindustrie, which was using the opportunity to buy its own shares while prices were below par with the intention of subsequent cancellation of deflation stock.

The bond index dropped only 13%, from 97 to 84.6. Prices relatively have been maintained, due chiefly to organized support by the mortgage and other banks. Including certain arrangements of minor importance, the total resources put at the disposal of the stock and bond markets to facilitate reopening were estimated at some 100 million marks, or \$25 millions. Nevertheless, the 9½% yield on 8% mortgage bonds, and the 14% yield on first class 7%



ESLEECK THIN PAPERS

-in business

Keep records up and costs down
Esleeck Thin Papers - in white
and colors - cockle, glazed and
smooth finish - various light
weights - for business uses, forms,
records, copies, correspondence,
air mail. Ask your printer or
stationer. "FACTS ABOUT
THIN PAPERS." An interest-
ing booklet on your request.

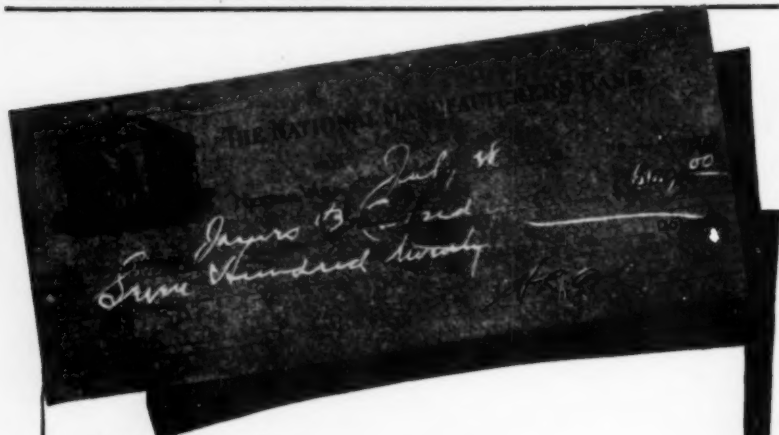
ESLEECK
MANUFACTURING CO.
TURNERS FALLS, MASS.

SPEED

To press Thursday night with last minute cables, radio-grams, telegrams of national and international business news.

To you on Friday and Saturday . . . a publishing service never before available to business men.

THE
BUSINESS
WEEK



Gilbert Paper Co.,

Menasha, Wis.

Gentlemen:

"The work on this check was done by a man selling non-alterable ink. After he had made the statement that he could entirely remove the writing from any check and having done so with ordinary paper, he was given this check for a test. It was made out to a fictitious name and the amount was \$720.00. His acids turned the entire check a yellow brown and brought out the written amount in white. The check was lithographed on Gilbert Safety paper, which we specify in all our orders for drafts and checks."

Yours very truly,

[Signature]
Cashier

HCB:AI

Fill in the coupon below. It may be the means of saving you from substantial loss of funds.



GILBERT

SAFETY BOND

GILBERT PAPER CO.
Menasha, Wis.

Please mail a copy of "A story of a Raised Check" without cost or obligation.

Person _____

City _____ State _____



industrial bonds, such as Stahlverein, still fails to attract buyers.

The outlook is exceedingly gloomy, and the possibility of bank executions on uncovered loans and selling on foreign account, as yet insignificant, makes maintenance of even the present artificially supported levels problematic during coming weeks.

Americans Share Britain's Orders from Soviets

EUROPEAN NEWS BUREAU—British manufacturers, jealously watching Russian orders that have gone in volume for several years to Germany and the United States, are pleased with reports showing that from engineering firms alone, Moscow purchased \$5,330,000 in July. For the entire first quarter of 1931, Russian machinery orders placed in Britain totaled only \$7 millions. In comparison, the July figure is good.

The largest volume of July business went to Metro-Vickers, Ltd., amounted to more than \$880,000 for electrical equipment. J. Lang & Sons, Ltd. (Glasgow) won a machine tool order worth \$490,000. Ruston-Bucyrus, Ltd. (half owned by the American company, Bucyrus-Erie) is working on a \$415,000-order for excavating equipment.

Subsidiaries Get Share

British subsidiaries of American companies are winning a noticeable share of the Soviet business gained, at least partially, by the help of the British government export credit scheme. Besides the Ruston-Bucyrus orders, knowing British manufacturers recalled that Consolidated Pneumatic Tool Co., Ltd. (subsidiary of the Chicago Pneumatic Tool Co.), carried away \$159,000 of Soviet business. Alfred Herbert, Ltd. (which, in addition to manufacturing, acts as distributing agent in Great Britain for more than 40 American manufacturers of machine tools and related lines) holds Soviet orders worth \$390,000.

In British government circles, however, it is pointed out that American-made products sold through a British agent are not covered by the government's export credit. Only the products actually manufactured in Britain can participate.

It is significant that Great Britain on July 1 extended the period of credit under its export credit scheme from 2 years to 2½ years; also that outstanding Soviet obligations now are estimated at \$350 millions, \$200 millions to Germany.

The Figures of the Week And What They Mean

Though much wistful wishing focused on Labor Day as a turning point in business activity, there are but meager indications that the consumer has been persuaded to part with his money.... Slow demand during the holiday week reduced steel ingot operations to the low of the year with the exception of the July 4 week.... The closing week in August brought only slightly heavier carloadings.... Check payments rebounded from the year's low of the preceding week.... *The Business Week* index of general business activity stands at 72.5% of normal for the week of Sept. 5 compared with the revised figure of 71% at the close of August.

WHILE Labor Day is not regarded as a holiday in the steel industry, the decline in the operating rate to little more than 28% of capacity for the week of Sept. 7 as compared with 31% the preceding week reflects considerable curtail-

ment among steel producers. Our adjusted index stands at 47% of normal. Though post-holiday resumption of operations is reported in some districts, it is doubtful that production has regained all the loss of the period. The official statement of August production of steel ingots suggests a lower operating rate than the weekly estimates revealed, being scarcely more than 31% of capacity compared with 34% in July. Tonnage output of 1,719,462 tons is the lowest since December, 1921, and represents a decline of nearly 9% from the July level. For the first 8 months of 1931, steel ingot operations have averaged only 43% of capacity compared with 71% in the same period of 1930.

The decline in unfilled orders at the close of August was not unexpected. Though production has been maintained at a very low level, consumption has been considerably less. The situation remains in the hands of the steel con-

sumer, who has found the hand-to-mouth policy the wisest in view of the limited demand from practically all sides and ample supplies available at short notice. Though there are few signs of any brisk seasonal expansion, the trade journals continue to express some confidence in a resumption of buying by a variety of steel users in the near future. The *Iron Age* feels that bottom has been struck in both production and prices.

Automobile Production

Among the fragmentary evidences of improved demand may be mentioned the slight gains in releases from the automobile industry. Ford is reported to have resumed production of the present model A to fill up the gap in dealer stocks occasioned by the August shutdown and to take care of the fall trade, even though it be subnormal. New models to be brought out late in the fall induced some of the General Motors units to place orders. August sales data of this group show a further decline in units sold to consumers and to dealers in the United States. Production of automobiles in the United States and Canada during August is estimated by the National Automobile Chamber of Commerce at 197,030 units compared

	Latest Week	Preceding Week	Year Ago	Five-Year Average 1926-1930
THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY.....	72.5	71.0	83.5
Production				
Steel Ingot Operation (% of capacity).....	28	31	56	75
Building Contracts (F. W. Dodge, daily average in thousands, 4-weeks basis).....	\$8,866	\$8,722	\$13,481	\$18,988
Bituminous Coal (daily average, 1,000 tons).....	*1,250	1,186	1,509	1,672
Electric Power (millions K.W.H.).....	1,627	1,638	1,630	1,580
Trade				
Total Carloadings (daily average, 1,000 cars).....	127	125	164	184
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	83	82	104	115
Check Payments (outside N. Y. City, millions).....	\$3,771	\$3,497	\$4,279	\$4,772
Money in Circulation (daily average, millions).....	\$5,013	\$4,529	\$4,822
Prices (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$.41	\$.42	\$.79	\$1.15
Cotton (middling, New York, lb.).....	\$.068	\$.070	\$.114	\$.182
Iron and Steel (STEEL composite, ton).....	\$31.04	\$31.04	\$32.68	\$35.67
Copper (electrolytic, f.o.b. refinery, lb.).....	\$.073	\$.073	\$.106	\$.140
All Commodities (Fisher's Index, 1926-100).....	68.9	68.9	83.5	94.3
Finance				
Total Federal Reserve Credit Outstanding, (daily average, millions).....	\$1,236	\$1,194	\$1,040	\$1,297
Total Loans and Investments, Federal Reserve reporting member banks (millions).....	\$22,063	\$22,030	\$23,168	\$21,515
Commercial Loans, Federal Reserve reporting member banks (millions).....	\$7,879	\$7,845	\$8,473	\$8,857
Security Loans, Federal Reserve reporting member banks (millions).....	\$6,519	\$6,490	\$8,357	\$6,960
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions).....	\$1,325	\$1,366	\$3,143	\$3,994
Stock Prices (average 100 stocks, Herald-Tribune).....	\$113.64	\$117.27	\$163.27	\$158.55
Bond Prices (Dow, Jones, average 40 bonds).....	\$92.93	\$93.22	\$97.27	\$95.79
Interest Rates—Call Loans (daily average, renewal).....	1.5%	1.5%	2.3%	5.4%
Interest Rates—Prime Commercial Paper (4-6 months).....	2%	2%	3%	4.7%
Business Failures (Dun, number).....	463	436	336	397

* Preliminary

† Revised

with 223,181 in July, a decline of nearly 12%. This estimate is somewhat higher than previous estimates.

The appearance of a number of rail inquiries was encouraging, but the small wear and tear on rail equipment plus retrenchment policies do not point to heavy orders from this source. Public works still form the most active prospects for the steel industry. Awards of 41,000 tons in the past week were above the average for this year. A number of miscellaneous industries, such as radio, stove, and steel barrel, also gave signs of increased activity.

Construction Awards

Building data for the first week of September are not yet available. Heavy construction contracts as reported by the *Engineering News-Record* for the week of Sept. 10 indicated a considerable decline in all groups from the high total of the preceding week. The usual expectation for the month is a decline from the August level. The construction index for the first week of September is expected to rise chiefly as a result of dropping one of the low August weeks in the 4-week moving average. August awards in the 37 states according to F. W. Dodge totaled \$233,106,100 compared with \$285,997,300 in July. Public works and utilities declined 31% from July, totaling only \$72,963,500, the smallest of the year to date. Non-residential awards of \$99,939,800 showed but a 4.5% decline from July, while residential awards of \$60,202,800 declined 6.6%.

Bituminous coal production has risen over 5% for the week of Aug. 29 in line with the usual seasonal expectations. Our adjusted index rose to 59%

of normal compared with 57% the preceding week. Anthracite coal production gained nearly 50% in the week.

Electric Power Production

Electric power production continues to reflect the sluggish nature of demand. While the latest week of Sept. 5 did not contain an official holiday, it shows a slight decline from the preceding 2 weeks. Our adjusted index moved to 86% of normal compared with 87% the preceding week. Comparison with a year ago this date is misleading since the Labor Day holiday fell earlier in 1930.

Though carloadings made a slight gain during the last week in August chiefly due to heavier coal shipments, the increase was less than hoped for at this season. Our adjusted index stands at the low level of 69% of normal. Though carloadings have risen in each of the past 3 weeks, the spring peak of May 2 has not been exceeded this year.

Bank Debits

Bank debits for the week of September 2 spurted upward from the year's low of the preceding week, lifting our index based on the 140 cities outside of New York from 77% to 81% of normal. The closing weeks of August usually mark the low ground for check payments, while September with its customary revival of trade activity, sees a sharp improvement in check volume.

Currency circulation continues to rise to record heights for the season. Our index remains at 25% above normal. Bank failures and shipments abroad are contributing factors to the exceptional increase in this series.

Commercial loans gained slightly during the week of Sept. 2, but our

The Index

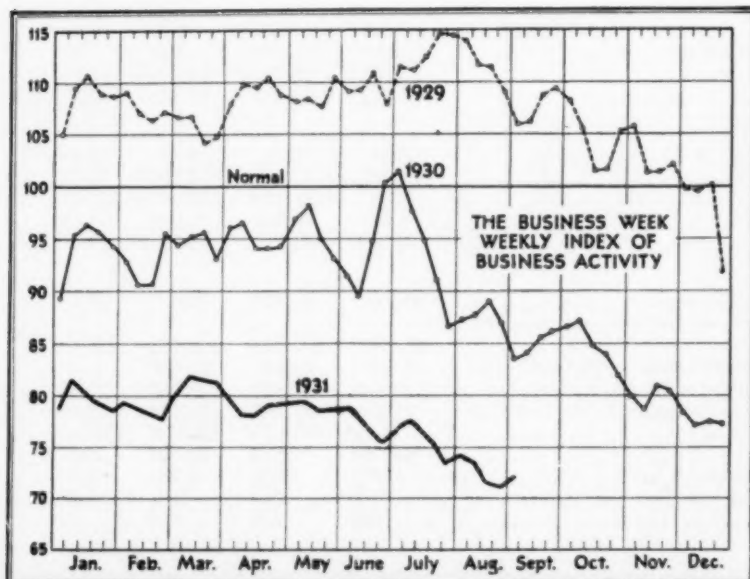
The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

adjusted index remains unchanged at 112% of normal. The promising expansion that occurred in July was lost by the steady decline of August. It is expected that September will see some expansion in response to the usual demands of trade and agriculture.

Commodity Prices

Commodity prices have been fairly steady with some gains reported in sugar, coffee, and rubber. The numerous conferences on the situation in wheat and cotton have not resulted in any definite plan to remedy the surplus situation. The sale of wheat to Germany has not been confirmed, but is expected. Meanwhile wheat prices moved downward at the close of last week and made but slight recovery after Labor Day. The metal markets were reasonably steady in spite of weakness in London. Volume of sales was so small that prices were little more than nominal. Copper remains at 7½¢ delivered with consumers content with distant deliveries. Production limitation is the only hope of maintaining present prices, but the meeting of large producers may not occur before October. Zinc prices are steady and the further decline in stocks gave producers hope of holding the present price level. Tin prices weakened along with the reaction in London, losing more than a cent in the week.

Business failures will probably reach the low of the year in the holiday week, after which the usual trend is upward. According to Bradstreet, the sharp increase in retail failures was the feature of the week ending Sept. 3.



Trends of the Markets In Money, Stocks, Bonds

Banking strain increased with further domestic and foreign deposit withdrawals. . . . Lacking Federal Reserve aid, the banks used some of their excess reserves. . . . Stock prices broke sharply downward with post-Labor Day discouragement, numerous dividend cuts. . . . Bond prices sank to new low levels for all but gilt-edged issues. . . . The United States achieves another world's record for all time with \$5 billions of gold.

Banking Strain Increased By Further Withdrawals

WHILE market money rates remained unchanged at their pegged levels of many months, the banking strain again increased this week. This is a matter entirely apart from rates. The only actual rate change was a slight rise in the cost of member bank reserve balances from $\frac{1}{4}\%$ to $\frac{3}{4}\%$.

Another \$60 millions of currency was withdrawn from the banks. Some, but not all of the rise, was attributable to Labor Day expenditures. Foreigners were responsible for the removal of an additional \$25 millions.

No help came from the Federal Reserve—possibly because of the lack of eligible paper. Whatever the case, a few banks borrowed and the balance of the needed money came from their

reserve balances, which decreased \$84 millions. This caused the rate rise noted.

The \$2-million increase in American monetary gold stock to an even \$5 billions was more sensational than significant, having been indicated for several weeks. No nation has ever amassed such a total; the economic consequences of our having done so are gravely debated. The final rise was at the cost of Canada (\$2 millions), Mexico (\$1.2 millions) and Peru (\$2 millions).

Brokers' loans took an expected drop with the stock price decline. The decrease was \$41 millions, sending the total to a new low of \$1,325 millions, though stock prices are still above their lows. All classes of lenders took money from the call market. The acceptance market was a very quiet affair again.

Foreign Exchange Weak

Nearly all foreign exchanges developed new weakness as the days passed. The declines indicate another flow of funds to this country, a development entirely unwanted. Autumn usually sees exchanges under pressure, however, and the situation is not yet alarming. Weakness of German marks in nearly all currencies caused most concern, and occurred despite stringent restrictions. Anticipation of the severe British budget probably was important in sterling's action.

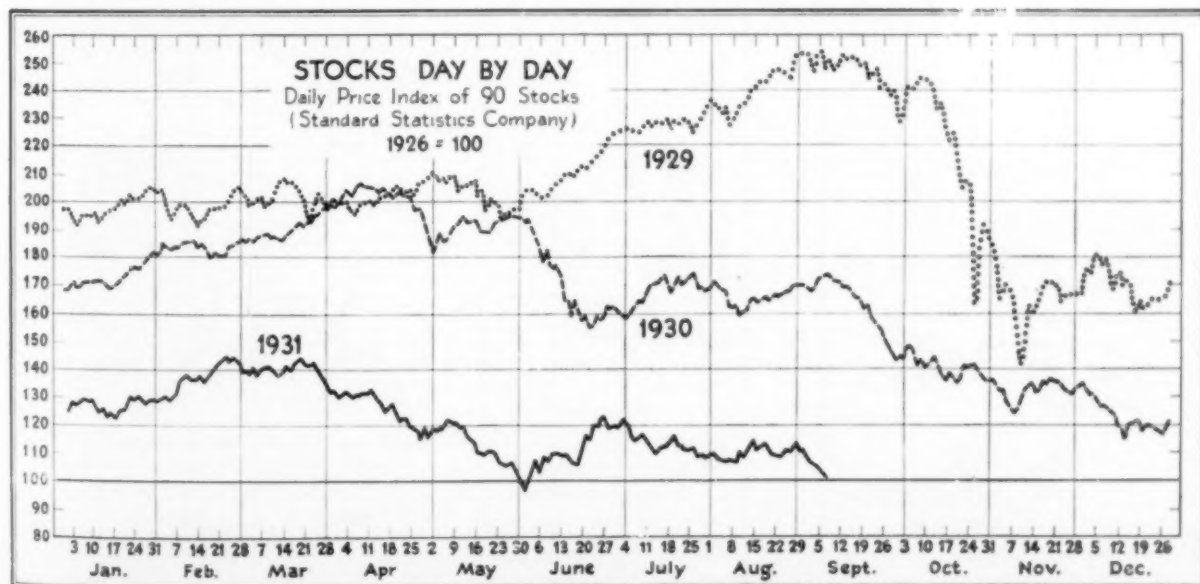
The 3 chief European central banks all slightly bettered their positions. The Reichsbank was able to gain in both gold and foreign exchange reserves, and the gold holdings of both Britain and France rose by small amounts.

Continued Decline Cuts Further Into Stock Hopes

COMMON stockholders and dealers returned from the Labor Day holiday in gloomy spirits and immediately began laboring to get rid of stocks. Declining price tendencies grew into an abrupt slump, helped along by a series of news items which Wall Street interpreted unfavorably. The tradition that immediate post-Labor Day markets point the way for fall added to the discouragement generated by the decline. A few minor rallies were short-lived, quickly overwhelmed by renewed selling.

Investors Still Selling

Unsatisfactory business and earnings explain the investor's attitude. Steel activity's new low, a subseasonal increase in carloadings, lower General Motors' sales, and more banking rumors were among the major unfavorable items. These combined to increase the belief that a fall pickup, if any, will be small. General considerations were translated into specific cases by several new dividend cuts, including those of New York Central, New Haven, Youngstown Sheet & Tube, and Rock Island. Doubt grows as to the maintenance of many more present dividend



The only direct telegraph service to SPAIN via RCA

**R.C.A. COMMUNICATIONS,
INC.**

A Radio Corporation
of America Subsidiary

64 Broad St., N. Y.
Tel. HAnover 2-1811

TRENDS

News recording is one branch of publishing. News interpretation . . . the relation of one news item to another and the significance to underlying trends . . . is a different and more complicated service. The Business Week is staffed to serve you with news interpretations.

**THE
BUSINESS
WEEK**

rates, including those of U. S. Steel and General Motors. And railroad averages have slipped to new low ground for the depression.

The decline was general among all groups of stocks. The volume of sales rose markedly as the public entered the market for the first time in several weeks—on the selling side.

Financial judgment on the market outlook generally inclines toward abstinence with a "sell" notation in some cases. A rally is admittedly probable after so long a decline. But until industrial and utility issues definitely test bottom and flatly deny the railroad pointer toward further lows the chances are strongly against any confidence in sustained strength.

Institutional Selling Leads Bond Decline

BONDHOLDERS like stockholders returned to work this week with the urge to sell. Accordingly all bonds continued or resumed their declines of recent weeks.

Institutional selling is the key to the decline, though information is lacking as to which group leads. General belief points to the banks. Purchase of the Treasury's new \$800-million issue is one important reason for the lack of demand in other issues—which lends support to financial concern over the heavy government borrowing yet to come (page 6). Continued with-

drawal of deposits, necessitating more liquidity, plus the effect of factors noted in the preceding report on the stock market's week were further depressive influences in bond trading.

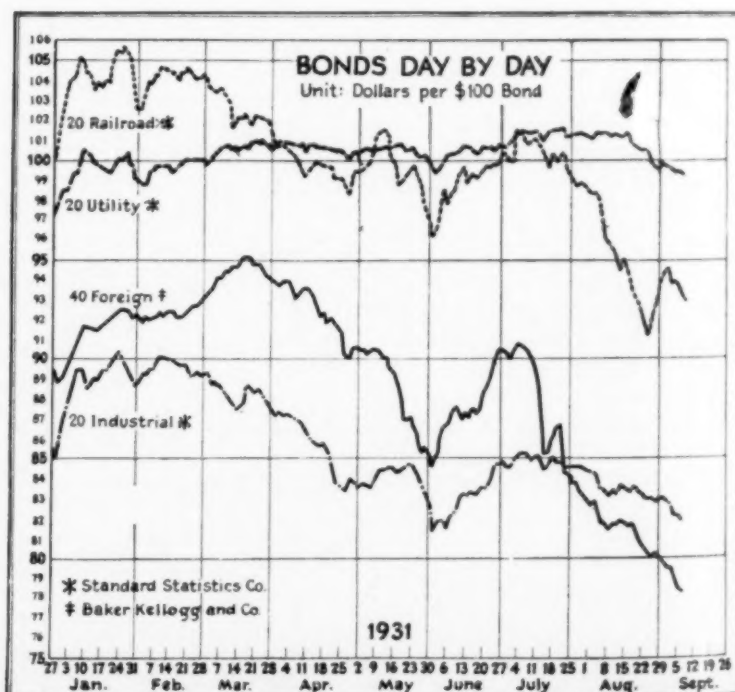
The chart shows another slip in utilities, a new drop in industrials, and a resumption of the railroad bond decline after a brief rally. Foreign issues continued their unending series of new low prices, weak Latin American and German issues the chief cause.

Good Bonds Still Low

Studying bonds on a basis of their credit rating, the week shows that only the very best stayed out of new low-price ranges. Averages for 40 bonds each in Moody's ratings of AA, A, and Baa reached new lows. The yield for 160 issues now stands at 6.67%, a new high for the depression, while yield on the 40 Baa bonds soared to 9.40%.

The new issues business rose slightly even in the face of these developments. The rise was chiefly accounted for by the Canadian National Railway's \$25-million offering. Although the issue is unconditionally guaranteed by the Canadian government, it had to be offered to yield 4.65%.

The new Treasury 3% issue dropped to a discount this week, a curious phenomenon in a period when other government issues are selling at considerable premiums. This price drop shows the definite financial feeling that the Treasury cut the interest on this long issue lower than was justified.



Wide Reading

WHAT KANSAS FARMERS THINK. Arthur Capper. *Review of Reviews*, September. Rumblings from Kansas, typical of public sentiment in the Middle West. Provocative to industry and capital.

THE WORST AMERICAN STATE. Charles Angoff and H. L. Mencken. *American Mercury*, September. Mississippi shows up worst, but all are rated. For the progressive distributor who wants to know his public in the various states. 44 valuable tables.

ENGLAND, WHAT OF THE NIGHT? *Living Age*, September. A Britisher, a Frenchman, and a German look at the financial crisis—and see a common destiny pulling Western nations together despite political differences.

WHAT'S PATENTABLE IN ELECTRICAL ENGINEERING? Charles W. Rivise. *Electrical World*, Aug. 15. General analysis of practical applications of patent law.

PROFIT CLINICS AND HOW TO HOLD THEM. C. E. Knoepfel. *Sales Management*, Sept. 5. Beginning a series of articles on "profit-budgeting."

CRUISES TO NOWHERE. Henry F. Pringle. *Outlook*, Sept. 9. A new idea in de luxe travel. The steamship companies' bid for the depression-dwindled dollar.

PRICE REGULATION AND THE SALE OF BOOKS. R. Mainguet. *Publishers' Weekly*, Sept. 5. The booktrade of Europe assumes that adequate distribution of books can only be obtained by a strictly observed net price system. America's upset book industry is interested in his discussion.

APARTMENT-HOUSE INCREASES AND ATTITUDES TOWARD HOME OWNERSHIP. Coleman Woodbury. *Journal of Land & Public Utility Economics*, August. Trends in various communities. Advantages and disadvantages listed from a questionnaire.

A LABORER'S LEISURE. Ralph Aiken. *North American Review*, September. Activities which will be open to men when the machine no longer permits them to work.

BANKERS AS REVOLUTIONARIES. H. N. Brailsford. *New Republic*, Aug. 19. Unless we turn bankers into disinterested and scientific trustees of an international society which has yet to be created, they will continue to promote world revolution.

BOOKS

FORMAL CORPORATE PRACTICE: WORKING METHODS AND SYSTEMS. William A. Crow. Burrell-Snow, Inc., 1504 pp., 186 charts, \$10. The "how" book of corporate action: quorums, articles of incorporation, voting trusts, "control" of corporate activities.

LABOR FACT BOOK. Labor Research Association. International Publishers, 222 pp., \$2. Reference book on labor statistics.

INDUSTRIAL ENGINEERING AND MANAGEMENT. Ralph M. Barnes. McGraw-Hill, 366 pp., \$3.50. Design and equipment of the factory, measurement and compensation of human effort, time and motion studies, and the point system of wage payment.

MAILING LIST HANDBOOK AND DIRECT ADVERTISING GUIDE. J. C. Aspley. Dartnell Corp., 360 pp., \$2.50. The yearbook of direct mail progress.



Can your floors withstand a 6-year traffic test?

Six years of pounding, grinding, scuffing. Trucks, autos, horses. Blazing sun and driving storms. MASTIPAVE, the magic floor material, still going strong!

That's the record on a main highway* since 1925.

No other floor covering can stand such a test. And its cost is amazingly low . . . approximately 14 cents per square foot, LAID! Decorative effects and colors slightly higher. MASTIPAVE not only resists wear. It is rot-proof, vermin-proof, non-slip, resilient and acid-resisting. Truly the magic floor!

Investigate! Write for the FREE booklet.

THE PARAFFINE COMPANIES, INC.
475 Brannan Street San Francisco, Calif.

BRANCHES IN PRINCIPAL CITIES

*A test strip at Antioch, California

.132

THE LOW-COST, LONG-LIFE FLOOR COVERING

MASTIPAVE

YOUR COPY

Business executives distinguish sharply between what is essential and usable, and that which is merely interesting but unimportant.

The Business Week is edited for such men.

The business world is large and complex. Its developments are numerous and its news voluminous.

There must be wide collection, judicious sifting, interesting presentation, readable interpretation and an exercise of editorial leadership.

The result is your copy of

THE
BUSINESS
WEEK

THE BUSINESS WEEK

The Journal of Business News and Interpretation

September 16, 1931

Misunderstood Midas

LAST week a stream of obviously inspired "news stories" issued from Washington explaining how irritated officials were over the unfortunate inclination of our ignorant citizenry and others in Europe to indulge in unjustified sarcasm concerning the constant accumulation of gold in Uncle Sam's coffers. The occasion of this educational campaign was the news that our monetary gold stock had touched the five billion mark for the first time in our or any country's history and that nearly half the world's gold reserves were now reposing in the United States. The tenor of these explanations was that all this was not Uncle Sam's fault, but just fate or unfortunate circumstance.

No one, we take it, is interested in the irritations of the Administration, for the ordinary citizen has ample annoyances of his own. But if he is to be enlightened it is essential that his instructors display at least a little deeper understanding than his own. The causes for this extraordinary accumulation of idle gold are most important, and the questions they involve are crucial for recovery. So long as it continues and no action is taken to correct it the economic difficulties of this country and of the world will become more acute. The accumulation of unused gold in this country is directly connected with the collapse of commodity prices, which is the crux of the depression; the unemployment of credit, which this piling-up implies, is the cause of unemployment of labor everywhere.

It will not do for responsible public officials to imply that this accumulation is of no moment, or that it is not susceptible of remedial action of any kind. Every one of the factors influencing the movement of gold to this country has been and some still are amenable to control. The latest of them—the collapse of confidence in the financial stability of Europe—is but the outcome of the lack of earlier corrective measures, but can even now be met by courageous concerted action to attack and clear up the reparations and

war debt problems which have retarded progress and imperilled peace for ten years. This can and must be coupled with determined attack on the problems of disarmament and pacification in Europe. Our tariff policy, too, is not a wholly irrelevant element in the unbalanced distribution of the world's gold, and it is surely impossible longer to regard this policy as something forever fixed.

But of more immediate moment is the amazing impotence and apparent indifference of the Federal Reserve System in the situation. In earlier depressions in this country, before the System was established, recovery came almost automatically out of credit expansion which followed the flow of foreign gold into individual bank reserves. The Reserve System was supposed to afford even greater elasticity of credit response by pooling those reserves, as a basis for more prompt and effective expansion. If it has resulted only in greater rigidity and enforced extreme sterilization of increasing gold supplies, we must seriously consider drastic revision of its structure and functions.

But we doubt whether the ineffectiveness of Federal Reserve functioning in this instance is inevitable, inherent, and incurable. Inertia, tradition, short-sighted self-interest are more plausible explanations. Early, aggressive, open-market operations and earnest, prompt, co-operative action with foreign central banks could have compelled a drastic lowering of long-term money rates before the collapse of investment confidence made this ineffective and gave the anticipated opportunity for long-term lenders to exact higher rates from distressed borrowers at home and abroad. Though such action would probably be too late now, alibis for the delay are not in order, nor are other emergency efforts to attack the crucial problem of restoring financial confidence and forcing credit expansion here impossible even now.

Published weekly by the McGraw-Hill Publishing Company, Inc.
Tenth Avenue and 36th Street, New York. Tel. Medallion 3-0700.
Price 15 cents. Subscription rate, \$5.00 a year; foreign, \$6.00
Publishing Director, Jay E. Mason

Managing Editor, Marc A. Rose
Economist, Virgil Jordan
Marketing, O. Fred Rost
Aviation, E. P. Warner
J. F. Chapman
Washington, Paul Wooton
European News Director
7 Boulevard Haussmann, Paris

News Editor, Ralph B. Smith
Art Director, Perry Githens
Finance, D. B. Woodward
Industrial Production, K. W. Stillman
F. A. Huxley
Chicago, John Millar
Elbert Baldwin
Cable address: Busweek, Paris

prog-
This
attack
ifica-
not a
l dis-
urely
ome-

the
rence
tion.
e the
most
hich
in-
stem
icity
s, as
pan-
dity
reas-
ider
ons.
s of
e is
rtia,
ore
ben-
co-
nks
of
of
and
rm
sed
ach
bis
ner
em
ng

inc.
00.
00

ith
ens
ard
an
on
lar
in
ris

K